

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of St. Johns	County Clinton
Fiscal Year End June 30, 2007	Opinion Date October 3, 2007	Date Audit Report Submitted to State October 9, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

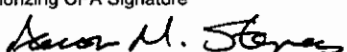
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Not Applicable	
Certified Public Accountant (Firm Name) Abraham & Gaffney P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

CITY OF ST. JOHNS, MICHIGAN

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007



CITY OF ST. JOHNS, MICHIGAN

Comprehensive Annual Financial Report
Year Ended June 30, 2007

Prepared by:
Treasurer's Office

Gregory T. Teichman
City Treasurer

City of St. Johns

Comprehensive Annual Financial Report
Year Ended June 30, 2007

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City of St. Johns

Comprehensive Annual Financial Report
Year Ended June 30, 2007

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INTRODUCTORY SECTION

Dana C. Beaman
Mayor

Heather R. Hanover
Vice Mayor

Mark R. Bates
Commissioner

Bill Jackson
Commissioner

Michael M. Nobach
Commissioner



October 3, 2007

Dennis D. LaForest
City Manager

Cynthia M. Warda
Deputy City Manager

Mindy J. Seavey
City Clerk

Gregory T. Teichman
City Treasurer

John B. Salemi
City Attorney

Daniel J. Vreibel, P.E.
City Engineer

Steven E. Wagner
*Community
Development Director*

The Honorable Mayor and
Members of the City Commission
City of St. Johns
St. Johns, Michigan

The Treasurer's and City Manager's Offices are pleased to submit the comprehensive Annual Financial Report for the City of St. Johns, Michigan for the fiscal year ended June 30, 2007.

This report is published to provide the City Commission, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To assure interested parties have reliable information, a system of internal controls is implemented. These internal controls are designed to detect irregularities in the accounting system. The controls are designed to assure a reasonable level of oversight. While no system of controls can test and examine every financial event, the controls implemented give a high level of confidence that no material misrepresentations are given.

The City of St. Johns charter requires that the City has an annual audit. This audit is performed by contracted independent auditors and their report is included in the following sections.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City of St. Johns' MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

Location

The City of St. Johns is located 18 miles north of downtown Lansing. St. Johns is the county seat for Clinton County, Michigan, and with the completion of highway construction linking US-27 with I-69/96 provides ready access to the interstate systems that make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, M-21 and BR US-27, which bisect St. Johns, are routes of quick access to Lansing, Grand Rapids, and Flint. The City encompasses an area of approximately 3.77 square miles, has a population of approximately 7,500, and 39.23 miles of streets.

The City is a home rule city operating under the Commission-Manager form of government. The City Commission is comprised of the Mayor and four Commission members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Commission and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The City provides a full range of municipal services including police and fire protection, refuse and recycling collection, water, sanitary sewer, storm sewer, streets, infrastructure development and maintenance, park and recreational facilities, library services and general administrative services. Internal services of the City include the mobile equipment operations. The City is also a member of a local ambulance authority that provides medical services to the City and surrounding townships.

Component Units included in the City's financial report include a Local Development Finance Authority (LDFA) and a Principal Shopping District and DDA. These are legally defined and included in sections of the financial reports as appropriate. The purpose of the LDFA is to promote and expand economic growth within the defined Authority. The Principal Shopping District was formed to enhance and coordinate growth and opportunities within the District. The DDA was formed to allow greater opportunities to improve the central business district through tax capture and grant funding.

The annual budget serves as the foundation for the City of St. Johns' financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page , or other supplementary information (for nonmajor funds), starting on page .

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of St. Johns operates.

Local Economy

People have been coming to St. Johns for almost 150 years. In 2006, the City of St. Johns celebrated its 150 year anniversary or its sesquicentennial. Events and celebrations provided exposure to the City. Over the past 150 years, people came to St. Johns to set up businesses ranging from retail shops to automotive parts factories. Others came to be in the seat of county government. Lately, many have come to St. Johns seeking a friendly community and hometown environment that is close to the City of Lansing. St. Johns is poised to accommodate everyone and its cooperative spirit remains the reason both businesses and families choose the community.

Residential housing in a variety of price ranges is abundant in the St. Johns area. Beautiful new single and multi-family dwellings in new City subdivisions ring St. Johns. Stately, historic homes located in the center of the City are a reminder of St. Johns 150 year history with their architecture and tree-lined City streets. Apartments and multi-family units provide area residents with choices for today's varied lifestyles. Additional residential projects are ongoing and have been approved for construction.

State-of-the-art technology is featured in the 7,000 square-foot Briggs Public Library, which serves residents of both the City and surrounding townships. The Briggs Library also brings to the community many new family programs and featured speakers that enhance the quality of life in St. Johns.

The City of St. Johns is home to the only certified industrial park in Clinton County. The industrial park boasts a variety of businesses including an automotive parts manufacturer, two large warehouse distribution centers, an information technology business, and a local credit union. Lots can be customized to fit all needs. The City purchased 13 acres adjacent to the Industrial Park for a regional detention facility which has been completed and exercised an option on the remaining 64 acres for future Industrial Park expansion.

Long-term Financial Planning

A Clinton County Economic Alliance has been formed this past year to promote the region as a great place to live and do business. This is a partnership of government and private sector organizations in Clinton County working to further economic growth in the region. Their goal is to raise \$600,000 to \$700,000 for the Alliance and are well on their way to achieving it.

This past year a local manufacturing plant was bought and brought under new ownership. The City continues to work closely with all businesses to provide any assistance possible to enhance their success. The City has expanded staff to include an individual familiar with applying for grants and other government programs. The City, through this person's efforts, has been successful in expanding the City of St. Johns housing rehab program, helped to secure a grant to help pay for a renovation of a building in the downtown business district, and assisted in the writing and award of a grant for the renovation of two the City's parks.

A \$10.5 million dollar renovation project at Clinton Memorial Hospital completed in 2000 assures the continued provision of convenient, quality, local healthcare services to St. Johns community residents. Its senior citizens are equally well served by the nationally rated Hazel I. Findlay Country Manor, which provides quality care for the area's elderly population. In fact, an \$11 million dollar assisted living center and a 40 unit apartment complex and community center called Clinton Commons were completed in 2000.

Cash Management Policies and Practices

The City maintains depository accounts with Fifth Third, Citizens Bank, Firstbank of St. Johns and Comerica Bank of Detroit. The City holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by City officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the City's investment policy. The average balance of the City's investment portfolio for fiscal year 2007 was approximately \$6,954,464. The overall portfolio provided \$311,141 in investment income.

In compliance with the City's investment policy, the City Treasurer presents a quarterly investment report to the City Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

Risk Management

The City participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims as filed against the pool, nor do they have any right to dividends.

The City also carries commercial insurance for the risk of loss due to workers' compensation claims.

MAJOR INITIATIVES

Street and Sidewalk Program

The City continues to take steps toward a comprehensive street repair program. The City has completed an update to a road condition study and has formulated a long range plan to improve and maintain the current road system. The City, along with a volunteer citizen's committee, spent many hours going over analysis, reports, and other information to help communicate the need of addressing street maintenance and repair. Many ideas were brought up and considered and discussed along with many questions being addressed. The City has prioritized efforts to address the streets that need repair and supplemented State of Michigan funding with general fund revenues in the upcoming fiscal year. The City is continuing to explore financing options and alternatives for the citizens of St. Johns to consider. The City encourages homeowners through a reimbursement program to replace sidewalks that have deteriorated and aged. This program continues to help the City in its efforts to have a safe and connecting network of non-motorized travel throughout. In addition to the expansion of the sidewalk program, the City of St. Johns contracted to have a tree study done of the trees in the City's right-of-way and parks. Trees were identified and catalogued as to species and condition. A maintenance plan has been implemented over the past three fiscal years. Approximately \$175,000 has been spent on this program.

Central Business District Streetscape

The City of St. Johns sold bonds to reconstruct the streets and sidewalks for our central business district. This project includes new landscaping, lighting, sidewalks, and the updating of the infrastructure of our downtown. Construction was completed during the spring of 2006.

Veteran's Memorial Project

This project was spearheaded by a local veteran's group to honor those men and women from Clinton County that have served in the armed forces. This project was coordinated with the central business streetscape because of the location of the memorial. Its location is at the north entrance to downtown and is a great first impression to visitors to the area and a place for residents to gather and reflect.

Economic Development Effort

The industrial park has seen tremendous growth in recent years and the City has implemented a plan of action to accommodate the continuing trend. The City has been awarded grant and loan funds to assist with financing of these projects and construction is complete in the first phase. With the purchase of an additional 64 acres, the City is poised for continuing future growth. Two existing businesses are currently expanding or planning to expand in the near future.

A new warehousing facility was completed in the spring of 2003 on approximately 37 acres in the industrial park. This new 17 million dollar facility has brought additional revenues and employment to our city. The new facility employs over 130 people and has become one of our largest taxpayers. Along with this new facility, a maintenance support business for this new entity has opened and has acquired enough land to facilitate future new growth.

Business/office space continues to expand in St. Johns with new construction and renovations of current space. An old school building was torn down to make way for a multi-use site. An office building has been constructed and filled with tenants on part of the site. Additional buildings are currently being built to accommodate new business needs. Transitional residential space was included in the site plan and the last of the multi-family units are completed.

A new educational facility was developed in a vacant retail space. This facility offers college level and enrichment types of programs sponsored by Lansing Community College for the surrounding area. This makes it easier for people to learn new skills to help in their careers or for a job change, or just to learn something new just for fun without having to drive distances.

In 1998, the Downtown Management Board (DMB) was created for the purpose of facilitating programs for an improved growth environment in and near downtown St. Johns (known as the Principal Shopping District). Throughout the fiscal year ended June 2007, the DMB was active in the completion of the streetscape for the downtown area. This project has resulted in a million dollar renovation of the downtown area. A State of Michigan grant has been approved to aid in these projects. A DDA was also formed to further the progress the downtown area has made.

In 1998, the City created a Local Development Finance Authority (LDFA). The LDFA was created primarily to promote economic growth in the City. This board continues to advance this goal with the purchase of additional land for future growth of the City's industrial park.

Renovations were completed on the City owned old railroad depot, which is directly across from the Briggs Library. Currently the local arts council utilizes this space for classes and enrichment for the community. The arts council has located an antique train rail car and is looking to raise funds to restore it as a train museum. Two additional rail cars have been added to be displayed at the Depot. This would greatly enhance the attraction at the depot and expose the arts council to more people.

A Rail to Trails project is being pursued to connect a trail that runs through the neighboring county to the east and continue the trail through the central business district. There has been a very positive reaction to this idea and plans are being drawn. Progress in securing the rail property has been made and the project continues forward.

Sanitary Sewer Relining

A bond proposal was passed for a sanitary sewer relining project in the City. In the summer of 2004 saw this project completed. This 2.6 million dollar bond issue has allowed the City to increase the efficiency and effectiveness of our wastewater collection and treatment systems along with other improvements and updating to our wastewater and water systems. A second project that was funded out of this bond issue was improvements to the City's water production system to be in compliance with new arsenic regulations. Wells were refurbished to comply with the new stricter standards and other improvements made. This project totaled approximately \$750,000.

OTHER INFORMATION

Independent Audit

The City charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of St. Johns for its comprehensive annual financial report for the fiscal year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office. We also wish to express our sincere appreciation to City Department Heads throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Commission for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,



Dennis D. LaForest
City Manager



Gregory T. Teichman, CMA
City Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Johns
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Ronald H. Hauer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

City of St. Johns
Comprehensive Annual Financial Report
Year Ended June 30, 2007
LIST OF CITY OFFICIALS

CITY COMMISSION

Dana C. Beaman, Mayor

William G. Jackson

Mark R. Bates

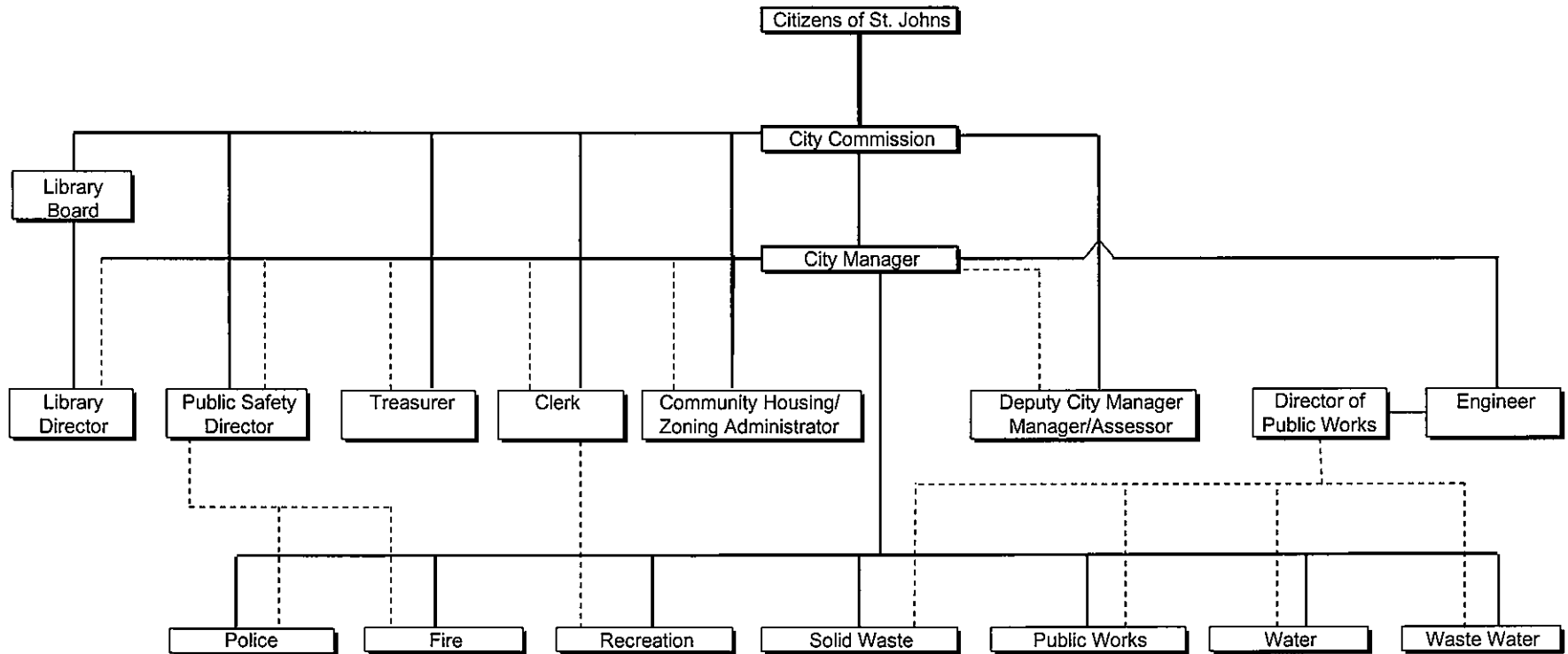
Michael M. Nobach

Heather R. Hanover

CITY MANAGER
Dennis D. LaForest

CITY TREASURER
Gregory T. Teichman

City of St. Johns
ORGANIZATIONAL CHART
2006-2007



FINANCIAL SECTION

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Johns' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of St. Johns, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Johns' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 3, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The following is a discussion and analysis of the City of St. Johns financial performance and position, providing an overview of the activities for the fiscal year ended June 30, 2007. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page ix of this report, our letter of transmittal on pages i through v, and with the City of St. Johns' financial statements, which follow this section. This discussion provides comparisons with the previous fiscal year as required by GASB.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets or the amount assets exceeded liabilities, were \$18,851,142 at the close of 2007 (excluding component units). This is an increase of \$533,052 or 2.91% compared to 2006.
- Governmental activities net assets were \$8,791,782 for 2007. This is an increase of \$368,395 or 4.37%.
- Business-type activities net assets were \$10,059,360. This is an increase of \$164,657 or 1.64%.
- Component unit net assets were \$51,742. This is a decrease of \$8,919 or 14.70%.
- The government's total net assets increased by \$524,133 over 2006 or a 2.85% increase.

Fund Level:

- At the close of the fiscal year, the City of St. Johns' governmental funds reported a combined ending fund balance of \$4,725,637 with \$164,460 being reserved for specific purposes. This is a decrease of \$86,186 over 2006. This amount reflects a reduction of the Walker Road G.O. fund balance that was used for debt payments and reduction in General Fund prepaid expenses of \$60,216.
- The General Fund's overall fund balance increased by \$230,801 over 2006. This increase is a reflection of budget monitoring, sales of general fixed assets of \$181,236, and a public safety position not being filled.

Capital and Long-term Debt Activities:

- The primary government (governmental activities) issued new debt for the fiscal year for the following items: \$1,850,000 Bonds payable for street repairs.
- The total long-term debt for the primary government (governmental activities) was \$6,067,947 with a net increase of \$1,442,973 from the prior year.
- The primary government (business-type activities) issued no new debt for the fiscal year.
- The total long-term debt for the primary government (business-type activities) was \$8,001,294 with a net reduction of \$376,218 from the prior year.
- The City of St. Johns remains well below its authorized legal debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City of St. Johns consists of the following components: 1) *Independent Auditors Report*; 2) *Management' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and proprietary funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Government-wide Financial Statements (Reporting the City of St. Johns as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City of St. Johns as a whole, and about its activities. Their purpose is to assist in answering the question, is the City of St. Johns, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all the City of St. Johns assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City of St. Johns financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the City of St. Johns net assets changed during fiscal year 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the City of St. Johns basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City of St. Johns general government departments such as police and fire, the City Commission, public works, and recreation programs are reported under these activities. This also includes the activities such as the Major and Local street maintenance, the Library, and Drug Enforcement.
- **Business-type Activities** - These activities operate like private businesses. The City of St. Johns charges fees to recover the cost of the services provided. The City of St. Johns Water & Sewer System services are examples of such activities.
- **Discretely Presented Component Units** - Discretely Presented Component units are legally separate organizations for which the City of St. Johns Commission appoints a majority of the organization's policy board and there is a degree of financial accountability to the City of St. Johns. Organizations included as component units: Principal Shopping District and Local Development Finance Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 5 and 8 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City of St. Johns general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City of St. Johns Major Funds)

The fund financial statements, which begin on page 3, provide information on the City of St. Johns significant (major) funds, and aggregated nonmajor funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City of St. Johns uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as funds required by bond or grant agreements. Funds are also utilized to track specific operations; these include the internal services funds (e.g. Mobile Equipment) as well as enterprise funds such as the Water & Fund.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of St. Johns include the General Fund, Local Street Fund, Garbage Fund, 2007 Capital Improvement Bonds Fund, and the Water & Sewer Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The City of St. Johns includes detailed information on its nonmajor funds in other supplementary sections of this report.

The City of St. Johns funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- **Governmental Funds** - Most of the City of St. Johns basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City of St. Johns programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the City of St. Johns charges customers a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. *Internal Service funds* report activities that provide supplies or service to the City of St. Johns other operations, such as the Mobile Equipment Fund. Internal Service funds are reported as governmental activities on the government-wide statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

- **Fiduciary Funds** - The City of St. Johns acts as a trustee or fiduciary in certain instances. The City of St. Johns fiduciary activities are reported in separate statements of Fiduciary Net Assets on page 13 and Schedule of Changes in Assets and Liabilities on page 53. This fund is reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City of St. Johns to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 16 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS AS A WHOLE

As previously stated, the City of St. Johns 2007 combined net assets were \$18,851,142 at the end of this fiscal year's operations. The net assets of the governmental activities were \$8,791,782; the business-type activities were \$10,059,360.

Net Assets as of June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 5,909,416	\$ 4,552,691	\$ 4,121,999	\$ 4,150,707	\$10,031,415	\$ 8,703,398
Capital assets	9,393,992	8,951,784	14,071,195	14,295,533	23,465,187	23,247,317
Total assets	15,303,408	13,504,475	18,193,194	18,446,240	33,496,602	31,950,715
Liabilities						
Current	1,012,035	963,314	527,438	548,923	1,539,473	1,512,237
Noncurrent	5,499,591	4,117,774	7,606,396	8,002,614	13,105,987	12,120,388
Total liabilities	6,511,626	5,081,088	8,133,834	8,551,537	14,645,460	13,632,625
Net Assets						
Invested in capital assets-						
net of related debt	3,634,022	4,637,235	6,069,901	5,918,021	9,703,923	10,555,256
Restricted	2,428,436	1,311,895	963,716	962,533	3,392,152	2,274,428
Unrestricted	2,729,324	2,474,257	3,025,743	3,014,149	5,755,067	5,488,406
Total net assets	<u>\$ 8,791,782</u>	<u>\$ 8,423,387</u>	<u>\$10,059,360</u>	<u>\$ 9,894,703</u>	<u>\$ 18,851,142</u>	<u>\$ 18,318,090</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The increase of \$533,052 from 2006 to 2007 in total primary government net assets reflects the sale of general fixed assets of \$181,236 and the increase of revenues over expenses in the business-type activities of \$135,515, the increase of property tax revenues of \$91,750 and an interest earning increase of \$92,674.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City of St. Johns net assets changed between fiscal year 2006 to 2007:

Changes in Net Assets for the Fiscal Year Ended June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue:						
Charges for services	\$ 1,346,959	\$ 1,280,934	\$ 2,707,695	\$ 2,795,029	\$ 4,054,654	\$ 4,075,963
Operating grants and contributions	1,138,860	917,352	-	-	1,138,860	917,352
Capital grants and contributions	171,594	1,213,548	14,898	14,898	186,492	1,228,446
General revenues:						
Property taxes	2,216,216	2,124,466	-	-	2,216,216	2,124,466
State Revenue Sharing	738,444	747,033	-	-	738,444	747,033
Investment earnings	204,641	128,036	134,692	118,623	339,333	246,659
Gain (loss) on sale of assets	181,236	(99,061)	-	-	181,236	(99,061)
Miscellaneous	165,923	201,417	48,113	31,453	214,036	232,870
Total revenues	6,163,873	6,513,725	2,905,398	2,960,003	9,069,271	9,473,728
Expenses						
General government	1,727,638	1,352,404	-	-	1,727,638	1,352,404
Public safety	1,347,380	1,354,706	-	-	1,347,380	1,354,706
Public works	1,521,204	1,469,984	-	-	1,521,204	1,469,984
Community and economic development	338,282	169,519	-	-	338,282	169,519
Recreation and cultural	694,729	700,872	-	-	694,729	700,872
Water & Sewer	-	-	2,740,741	2,674,412	2,740,741	2,674,412
Interest on long-term debt	166,245	185,898	-	-	166,245	185,898
Total expenses	5,795,478	5,233,383	2,740,741	2,674,412	8,536,219	7,907,795
Change in net assets	368,395	1,280,342	164,657	285,591	533,052	1,565,933
Net assets, beginning of year	8,423,387	7,143,045	9,894,703	9,609,112	18,318,090	16,752,157
Net assets, end of year	\$ 8,791,782	\$ 8,423,387	\$ 10,059,360	\$ 9,894,703	\$ 18,851,142	\$18,318,090

Governmental Activities:

The result of fiscal year 2007 governmental activity was an increase of \$368,395 in net assets to \$8,791,782. Of the total governmental activities' net assets, \$3,634,022 is invested in capital assets less related debt, \$2,410,360 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City of St. Johns government. The balance of \$2,747,400 is listed as unrestricted, having no legal commitment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Revenues:

The three largest revenue categories were property taxes at 36%, charges for services at 22% and grants and contributions at 21%. The City of St. Johns levies a property tax millage for general government operations at 9.5729 mills which is not assigned to any particular activity. Grants and contributions are the third largest source of governmental activity revenue.

Expenses:

General government is the largest governmental activity with over \$1.7 million spent. This includes administration, elections and other legislative expenses, and municipal building expenses. Public works is the second largest governmental activity, expending \$1.5 million. Public safety is the third largest governmental activity, expending over \$1.3 million of the \$5.8 million total expenditures. It includes the City's police and fire departments.

Business-type Activities:

Net assets in business-type activities increased by \$164,657 during the fiscal year 2007. This increase was partially due to a water and sewer rate study that was conducted and the current rates reviewed. The results of the study recommended that rates are increased to allow for capital improvements and maintenance of the water and sewer system. Interest rates have increased over the past year so this revenue has also increased.

Of the total \$10 million of net assets in the business type activities, \$3 million is reported as unrestricted, \$1 million as restricted and \$6 million is invested in capital assets (net of related debt).

FINANCIAL ANALYSIS OF THE CITY OF ST. JOHNS MAJOR AND NONMAJOR FUNDS

As the City of St. Johns completed fiscal year 2007, its governmental funds reported *combined* fund balances of \$4,725,637. The net changes are summarized in the following chart:

	General Fund	Local Street	Garbage	2007 Capital Improvement	Nonmajor Governmental Funds
Fund Balance 6/30/06	\$ 1,120,731	\$ 172,083	\$ 207,985	\$ -	\$ 1,938,659
Fund Balance 6/30/07	\$ 1,351,532	\$ 20,252	\$ 136,984	\$ 1,798,841	\$ 1,418,028
Net Change	\$ 230,801	\$(151,831)	\$(71,001)	\$ 1,798,841	\$(520,631)

The General Fund balance increased by \$230,801. This increase is reflective of one time revenues from the sale of City owned land \$84,425, a City owned building for \$96,811 and budget management efforts. Other major governmental funds, Local Street and Garbage, decreased their fund balances by \$151,831 and \$71,001, respectively. The 2007 Capital Improvement fund increased their fund balance by \$1,798,841. The Garbage fund continued tree trimming efforts in the City after a tree evaluation study was conducted. Extra funds were budgeted and expended. Local street maintenance projects were budgeted and reserves were expended. The 2007 Capital Improvement fund was created to track the issuance of bonds for a combination of projects which includes the reconstruction of two City streets and a new road salt storage facility. The combined other nonmajor funds decreased by \$520,631 due to the breakout of the Local Streets fund from the other nonmajor funds (the Local Street Fund was included as a non-major fund last fiscal year), the decrease in fund balance of the Walker road G.O bond fund, and a completion of a street project that was paid for out of a bond issuance capital project fund (Michigan Transportation Project).

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

General Fund:

The General Fund is the chief operating fund of the City of St. Johns. Unless otherwise required by statute, contractual agreement or Board policy, all City of St. Johns revenues and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported a fund balance of \$1,351,532. This amount is an increase of \$230,801 from the fund balance of \$1,120,731 reported as of June 30, 2006. Of the total fund balance, \$307,930 is reserved, designated or earmarked for specific purposes.

General Fund Budgetary Highlights:

The City of St. Johns budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is frequently amended during the course of the fiscal year to reflect changing operational demands.

General Fund revenues totaled \$4,470,472; \$170,400 above the final amended budget. Transfer from the LDFA for debt service was not budgeted.

The City of St. Johns expenditures totaled \$3,802,288; \$90,103 higher than the final amended budget. Debt payments made out of the General Fund and funds transferred from the LDFA were not budgeted. Approximately \$40,000 of this variance can be attributed to the Public Safety area because of a budgeted position that was not filled.

Local Street Fund:

The Local Street fund has a decrease of \$151,831 to its fund balance from the prior year. The total fund balance is \$20,852 and all is undesignated/unreserved. The Local Street fund is supported mainly by allocations from the State of Michigan, but the General Fund made a transfer into the Local Street fund of \$300,000 this fiscal year.

Garbage Fund:

The Garbage fund has a decrease of \$71,001 to its fund balance from the prior year. The total fund balance is \$136,984 and all is undesignated/unreserved. The Garbage fund is supported by a user fee of \$120/household and a .50 millage on the ad valorem tax roll. Services such as weekly pickup of brush, Christmas tree collection in January, and free screened compost for gardens and yards are some of the benefits of this fund.

2007 Capital Improvement Bonds Fund:

The 2007 Capital Improvement Bonds fund is a new fund for the 2007 fiscal year. The ending fund balance is \$1,798,841, all of which is designated for capital projects. This fund will be used to account for the expenditures of the new capital improvement bonds, which will be used for work on Oakland and Sickles streets and a salt storage facility.

Water & Sewer Fund:

The Water & Sewer fund had an increase to its net assets of \$164,657. Operating revenues showed an decrease of \$79,174. Charges for services decreased by \$87,334 or 3%. Operating expenses increased by \$77,789, this includes a sewage collection increase of \$37,431. The sewage collection expenses were system improvements such as SCADA system to monitor tank levels by computer. Non-operating expenses decreased by \$21,131 in 2007. Interest revenue increased by \$16,069.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2007, the City of St. Johns had invested \$9,393,992, and \$14,071,195 (net of accumulated depreciation) for governmental and business-type capital assets respectively. Accumulated depreciation was \$6,146,415 for the governmental activities and \$11,601,328 for the business-type activities. Depreciation charges for the fiscal year totaled \$584,234 for the governmental activities and \$527,335 for the business-type activities. For more detailed information related to capital assets, refer to Note F to the financial statements.

	Governmental Activities	Business Type Activities	Total
Land	\$ 1,006,450	\$ 91,570	\$ 1,098,020
Land Improvements, net	794,676	-	794,676
Buildings, net	2,223,611	-	2,223,611
Vehicles, net	644,850	-	644,850
Furniture/Other, net	98,671	-	98,671
Drain Flow Rights	25,048	-	25,048
Infrastructure, net	4,600,686	-	4,600,686
Water System, net	-	2,156,209	2,156,209
Sewer System, net	-	11,479,521	11,479,521
Water & Sewer Equipment, net	-	343,895	343,895
Capital assets, net	\$ 9,393,992	\$ 14,071,195	\$ 23,465,187

Long-term Debt - As of June 30, 2007, the City of St. Johns had \$6,067,948 in bonds, notes and accumulated vacation and sick time outstanding for the governmental activity group. Of this amount, \$4,790,000 is bonds, \$307,977 is sick and vacation, and \$969,971 is loans and notes (refer to Note G). This level of net obligation is \$1,442,972 higher than the obligation recorded as of June 30, 2006. This was mainly due to the issuance of \$1,850,000 in capital improvement bonds.

Outstanding Debt as of June 30, 2007:

	July 1, 2006	Additions	Deletions	June 30, 2007
Primary Government				
Governmental Activities				
Bonds	\$ 3,180,000	\$ 1,850,000	\$ 240,000	\$ 4,790,000
Loans Payable	315,190	-	34,075	281,115
Notes Payable	819,357	-	130,502	688,855
Accumulated vacation and sick	310,427	192,047	194,497	307,977
Total Governmental Activities	4,624,974	2,042,047	599,074	6,067,947
Business Type Activities				
Water and Sewer Bonds	8,239,705	-	361,320	7,878,385
Loan Payable	137,807	-	14,898	122,909
Total Business Type Activities	8,377,512	-0-	376,218	8,001,294
Total Reporting Entity	\$ 13,002,486	\$ 2,042,047	\$ 975,292	\$ 14,069,241
Debt Limit (10% of SEV)				\$ 26,265,470
Available Statutory Debt Limit	-see pg 79			\$ 21,694,437

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

Limitations on Debt:

State statute limits the City of St. Johns debt obligations to 10 percent of the current state equalized value (SEV). The City of St. Johns SEV as of June 30, 2007 was \$262 million; therefore the City of St. Johns debt limitation was \$26 million. The City of St. Johns remains well below its legal debt limit by approximately \$22 million.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS & EFFECTS

One of St. Johns auto industry related employers has announced the closing of its plant in 2008. The commission and city staff of St. Johns have been meeting and working with this company for a smooth transition and talking about issues that affect the community. There have been efforts at marketing the plant to new employers and talks about other uses for the property. Ongoing meetings have been held.

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. In the 2006/2007 State of Michigan budget, revenue sharing was spared any cuts. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of St. Johns. Escalating fuel costs could affect the amount of revenues the state receives through the tourism industry. The City of St. Johns will have to monitor closely the State of Michigan's revenue projections for any proposed cuts as the fiscal year progresses.

CONTACTING THE CITY OF ST. JOHNS

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of St. Johns finances and to demonstrate the City of St. Johns accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of St. Johns Treasurer's Office at (989) 224-8944 or via email: csj@ci.saint-johns.mi.us

BASIC FINANCIAL STATEMENTS

City of St. Johns

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,898,083	\$ 1,956,630	\$ 6,854,713	\$ 53,679
Receivables	666,621	822,775	1,489,396	-
Due from other governmental units	331,786	-	331,786	1,230
Inventories	7,966	72,562	80,528	-
Prepays	4,960	-	4,960	-
Total current assets	5,909,416	2,851,967	8,761,383	54,909
Noncurrent assets				
Cash and cash equivalents, restricted	-	967,685	967,685	-
Deferred charges	-	302,347	302,347	-
Capital assets not being depreciated	1,006,450	91,570	1,098,020	-
Capital assets, net of accumulated depreciation	8,387,542	13,979,625	22,367,167	-
Total noncurrent assets	9,393,992	15,341,227	24,735,219	-0-
TOTAL ASSETS	15,303,408	18,193,194	33,496,602	54,909
LIABILITIES				
Current liabilities				
Accounts payable	249,103	31,088	280,191	512
Accrued liabilities	89,647	23,451	113,098	-
Due to other governmental units	21,643	-	21,643	2,655
Accrued interest payable	57,513	78,001	135,514	-
Unearned revenues	25,773	-	25,773	-
Current portion of compensated absences	102,659	-	102,659	-
Current portion of long-term debt	465,697	394,898	860,595	-
Total current liabilities	1,012,035	527,438	1,539,473	3,167
Noncurrent liabilities				
Noncurrent portion of compensated absences	205,318	-	205,318	-
Noncurrent portion of long-term debt	5,294,273	7,606,396	12,900,669	-
Total noncurrent liabilities	5,499,591	7,606,396	13,105,987	-0-
TOTAL LIABILITIES	6,511,626	8,133,834	14,645,460	3,167
NET ASSETS				
Invested in capital assets, net of related debt	3,634,022	6,069,901	9,703,923	-
Restricted for:				
Debt service	101,987	963,716	1,065,703	-
Capital projects	1,841,927	-	1,841,927	-
Drug law enforcement	1,941	-	1,941	-
Streets	482,581	-	482,581	-
Unrestricted	2,729,324	3,025,743	5,755,067	51,742
TOTAL NET ASSETS	\$ 8,791,782	\$ 10,059,360	\$ 18,851,142	\$ 51,742

See accompanying notes to financial statements.

City of St. Johns
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,727,638	\$ 267,593	\$ 3,943	\$ -	\$ (1,456,102)	\$ -	\$ (1,456,102)	\$ -
Public safety	1,347,380	15,045	2,309	2,092	(1,327,934)	-	(1,327,934)	-
Public works	1,521,204	919,297	528,578	32,563	(40,766)	-	(40,766)	-
Community and economic development	338,282	26,550	381,944	136,374	206,586	-	206,586	-
Recreation and cultural	694,729	118,474	222,086	565	(353,604)	-	(353,604)	-
Interest on long-term debt	166,245	-	-	-	(166,245)	-	(166,245)	-
Total governmental activities	5,795,478	1,346,959	1,138,860	171,594	(3,138,065)	-0-	(3,138,065)	-0-
Business-type activities:								
Water and sewer	2,740,741	2,707,695	-	14,898	-	(18,148)	(18,148)	-
Total primary government	<u>\$ 8,536,219</u>	<u>\$ 4,054,654</u>	<u>\$ 1,138,860</u>	<u>\$ 186,492</u>	(3,138,065)	(18,148)	(3,156,213)	-0-
Component units:								
Principal Shopping District	\$ 45,096	\$ -	\$ 37,150	\$ -	-	-	-0-	(7,946)
Local Development Finance Authority	163,242	-	-	-	-	-	-0-	(163,242)
Total component units	<u>\$ 208,338</u>	<u>\$ -0-</u>	<u>\$ 37,150</u>	<u>\$ -0-</u>	-0-	-0-	-0-	(171,188)
General revenues:								
Property taxes					2,216,216	-	2,216,216	160,521
State shared revenues - unrestricted					738,444	-	738,444	-
Investment earnings					204,641	134,692	339,333	1,748
Miscellaneous					165,923	48,113	214,036	-
Special item - Gain on sale of capital assets					181,236	-	181,236	-
Total general revenues and special item					3,506,460	182,805	3,689,265	162,269
Change in net assets					368,395	164,657	533,052	(8,919)
Net assets, beginning of the year					8,423,387	9,894,703	18,318,090	60,661
Net assets, end of the year					<u>\$ 8,791,782</u>	<u>\$ 10,059,360</u>	<u>\$ 18,851,142</u>	<u>\$ 51,742</u>

See accompanying notes to financial statements.

City of St. Johns

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Local Street	Garbage
ASSETS			
Cash and cash equivalents	\$ 1,170,957	\$ 91,437	\$ 182,945
Receivables			
Accounts	248,970	-	8,873
Special assessments	-	-	-
Due from other funds	577	-	-
Due from other governmental units			
Federal/State	105,749	23,375	-
Local	2,655	-	-
Prepays	2,930	-	-
TOTAL ASSETS	<u>\$ 1,531,838</u>	<u>\$ 114,812</u>	<u>\$ 191,818</u>
LIABILITIES			
Payables			
Accounts	\$ 66,258	\$ 91,696	\$ 48,493
Salaries	66,632	2,864	6,341
Due to other funds	-	-	-
Due to other governmental units	21,643	-	-
Deferred revenue	25,773	-	-
TOTAL LIABILITIES	180,306	94,560	54,834
FUND BALANCES			
Reserved for			
Prepays	2,930	-	-
Debt service	-	-	-
Unreserved			
Designated for debt service, reported in			
General fund	305,000	-	-
Special revenue funds	-	-	-
Designated for capital projects, reported in			
Capital projects funds	-	-	-
Undesignated, reported in			
General fund	1,043,602	-	-
Special revenue funds	-	20,252	136,984
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>1,351,532</u>	<u>20,252</u>	<u>136,984</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,531,838</u>	<u>\$ 114,812</u>	<u>\$ 191,818</u>

See accompanying notes to financial statements.

2007 Capital Improvement Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,791,860	\$ 1,259,482	\$ 4,496,681
7,431	-	265,274
-	401,347	401,347
-	-	577
-	200,007	329,131
-	-	2,655
-	2,030	4,960
<u>\$ 1,799,291</u>	<u>\$ 1,862,866</u>	<u>\$ 5,500,625</u>
\$ -	\$ 32,524	\$ 238,971
-	10,840	86,677
450	127	577
-	-	21,643
-	401,347	427,120
450	444,838	774,988
-	2,030	4,960
-	159,500	159,500
-	-	305,000
-	487,864	487,864
1,798,841	54,693	1,853,534
-	-	1,043,602
-	713,941	871,177
-	-	-
<u>1,798,841</u>	<u>1,418,028</u>	<u>4,725,637</u>
<u>\$ 1,799,291</u>	<u>\$ 1,862,866</u>	<u>\$ 5,500,625</u>

City of St. Johns

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds **\$ 4,725,637**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 15,810,407	
Accumulated depreciation is	<u>(6,416,415)</u>	
Capital assets, net		9,393,992

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		401,347
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Internal Service Funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities
of the Internal Service Funds are included in the governmental activities
in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	927,553	
Net capital assets of Internal Service Funds included in total capital assets above	(644,850)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>113,563</u>	
		396,266

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds, notes, and loans payable	5,759,970	
Accrued interest payable	57,513	
Compensated absences	<u>307,977</u>	
		<u>(6,125,460)</u>

Net assets of governmental activities		<u>\$ 8,791,782</u>
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See accompanying notes to financial statements.

City of St. Johns

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Local Street	Garbage
REVENUES			
Taxes	\$ 2,001,551	\$ -	\$ 101,654
Licenses and permits	145,110	-	-
Intergovernmental	1,307,360	142,403	-
Charges for services	531,241	-	496,902
Fines and forfeits	38,009	-	-
Interest and rents	126,202	514	16,750
Other revenue	320,999	3,150	1,833
TOTAL REVENUES	4,470,472	146,067	617,139
EXPENDITURES			
Current			
General government	1,420,802	-	-
Public safety	1,337,463	-	-
Public works	260,512	683,898	688,140
Community and economic development	338,282	-	-
Recreation and cultural	238,808	-	-
Debt service	171,263	-	-
Capital outlay	35,158	-	-
TOTAL EXPENDITURES	3,802,288	683,898	688,140
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	668,184	(537,831)	(71,001)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Transfers in	-	386,000	-
Transfers out	(437,383)	-	-
Bond discount	-	-	-
Bond issuance costs	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(437,383)	386,000	-0-
NET CHANGE IN FUND BALANCES	230,801	(151,831)	(71,001)
Fund balances, beginning of year	1,120,731	172,083	207,985
Fund balances, end of year	\$ 1,351,532	\$ 20,252	\$ 136,984

See accompanying notes to financial statements.

2007 Capital Improvement Bonds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 202,830	\$ 2,306,035
-	-	145,110
-	433,798	1,883,561
-	13,743	1,041,886
-	133,248	171,257
14,919	65,213	223,598
-	105,578	431,560
14,919	954,410	6,203,007
-	347	1,421,149
-	-	1,337,463
-	216,406	1,848,956
-	-	338,282
-	403,479	642,287
-	373,834	545,097
41,693	532,358	609,209
41,693	1,526,424	6,742,443
(26,774)	(572,014)	(539,436)
1,850,000	-	1,850,000
-	272,193	658,193
-	(220,810)	(658,193)
(12,950)	-	(12,950)
(11,435)	-	(11,435)
1,825,615	51,383	1,825,615
1,798,841	(520,631)	1,286,179
-	1,938,659	3,439,458
<u>\$ 1,798,841</u>	<u>\$ 1,418,028</u>	<u>\$ 4,725,637</u>

City of St. Johns

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 1,286,179

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,033,172	
Depreciation expense	<u>(584,234)</u>	448,938
Net effect of disposal of capital assets		(6,730)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds	155,082	
Capital asset transactions of Internal Service Funds included in the total above	(104,376)	
Depreciation expense of Internal Service Funds included in the total above	96,948	
Principal retirement of Internal Service Funds included in the total below	<u>(24,199)</u>	123,455

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (39,134)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt proceeds	(1,850,000)	
Debt principal retirement	<u>404,579</u>	(1,445,421)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(1,342)	
Decrease in accrued compensated absences	<u>2,450</u>	1,108

Change in net assets of governmental activities \$ 368,395

See accompanying notes to financial statements.

City of St. Johns
Proprietary Funds
STATEMENT OF NET ASSETS
June 30, 2007

	Business-type Activities <u>Enterprise (Water and Sewer)</u>	Governmental Activities <u>Mobile Equipment</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,956,630	\$ 401,402
Accounts receivable	822,775	-
Inventories	<u>72,562</u>	<u>7,966</u>
Total current assets	2,851,967	409,368
Noncurrent assets		
Cash and cash equivalents, restricted	967,685	-
Deferred charges	302,347	-
Capital assets not being depreciated	91,570	-
Capital assets, net of accumulated depreciation	<u>13,979,625</u>	<u>644,850</u>
Total noncurrent assets	<u>15,341,227</u>	<u>644,850</u>
TOTAL ASSETS	18,193,194	1,054,218
LIABILITIES		
Current liabilities		
Accounts payable	31,088	10,132
Salaries payable	23,451	2,970
Accrued interest payable	78,001	-
Bond and notes payable - current portion	<u>394,898</u>	<u>25,058</u>
Total current liabilities	527,438	38,160
Noncurrent liabilities		
Bonds and notes payable	<u>7,606,396</u>	<u>88,505</u>
TOTAL LIABILITIES	<u>8,133,834</u>	<u>126,665</u>
NET ASSETS		
Invested in capital assets, net of related debt	6,069,901	531,287
Restricted for:		
Debt service	963,716	-
Unrestricted	<u>3,025,743</u>	<u>396,266</u>
TOTAL NET ASSETS	<u>\$ 10,059,360</u>	<u>\$ 927,553</u>

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Mobile Equipment
OPERATING REVENUES		
Charges for services	\$ 2,702,695	\$ 502,619
Rentals	5,000	-
Other	31,647	746
TOTAL OPERATING REVENUES	2,739,342	503,365
OPERATING EXPENSES		
Water plant operation	283,235	-
Water distribution	345,745	-
Wastewater plant operation	648,724	-
Sewage collection	280,233	-
Administrative expenses	306,090	-
Mobile equipment	-	293,678
Depreciation	527,335	96,948
TOTAL OPERATING EXPENSES	2,391,362	390,626
OPERATING INCOME	347,980	112,739
NONOPERATING REVENUES (EXPENSES)		
Interest earned	134,692	16,703
Gain on sale of capital assets	8,500	30,820
Interest expense	(314,955)	(5,180)
Paying agent fees	(1,316)	-
Bond premium	7,966	-
Bond discount and deferred charges	(33,108)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(198,221)	42,343
NET INCOME BEFORE CAPITAL GRANT REVENUE	149,759	155,082
CAPITAL GRANT REVENUE		
Local sources	14,898	-
CHANGE IN NET ASSETS	164,657	155,082
Net assets, beginning of year	9,894,703	772,471
Net assets, end of year	\$ 10,059,360	\$ 927,553

See accompanying notes to financial statements.

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	Business-type Activities	Governmental Activities
	Enterprise (Water and Sewer)	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 2,753,730	\$ 746
Cash receipts from interfund services provided	-	500,675
Cash paid to vendors	(1,078,564)	(387,069)
Cash paid to employees	(822,985)	(76,992)
Cash paid for interfund services received	(81,128)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	771,053	37,360
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contribution	14,898	-
Paying agent fees	(1,316)	-
Capital purchases	(302,997)	(111,106)
Proceeds from sale of equipment	8,500	37,550
Interest paid	(317,905)	(5,180)
Payments on borrowings	(374,898)	(24,199)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(973,718)	(102,935)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	134,692	16,703
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(67,973)	(48,872)
Cash and cash equivalents, beginning of year	2,992,288	450,274
Cash and cash equivalents, end of year	\$ 2,924,315	\$ 401,402

City of St. Johns

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended June 30, 2007

	Business-type Activities Enterprise (Water and Sewer)	Governmental Activities Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 347,980	\$ 112,739
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	527,335	96,948
Decrease in receivables	14,388	-
(Increase) in inventories	(1,860)	(1,944)
Decrease in prepaids	3,445	313
(Decrease) in accounts payable	(40,429)	(171,327)
Increase in salaries payable	3,413	793
(Decrease) in accrued liabilities	(1,519)	(162)
(Decrease) in due to other funds	(81,700)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 771,053</u>	<u>\$ 37,360</u>
Noncash financing activities		
Loss on disposal of capital assets	\$ -	\$ 6,730

See accompanying notes to financial statements.

City of St. Johns

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2007

	<u>Current Tax Collections</u>
ASSETS	
Cash and cash equivalents	<u>\$ 514</u>
LIABILITIES	
Due to individuals and agencies	<u>\$ 514</u>

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF NET ASSETS

June 30, 2007

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Current			
Cash and cash equivalents	\$ 1,553	\$ 52,126	\$ 53,679
Due from other governmental units	1,230	-	1,230
TOTAL ASSETS	2,783	52,126	54,909
LIABILITIES			
Current			
Accounts payable	52	460	512
Due to other governmental units	2,655	-	2,655
TOTAL LIABILITIES	2,707	460	3,167
NET ASSETS			
Unrestricted	\$ 76	\$ 51,666	\$ 51,742

See accompanying notes to financial statements.

City of St. Johns

Component Units

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental activities			
Principal Shopping District			
Community and economic development	\$ 45,096	\$ 37,150	\$ (7,946)
Local Development Finance Authority			
Community and economic development	163,242	-	(163,242)
TOTALS	<u>\$ 208,338</u>	<u>\$ 37,150</u>	(171,188)
General revenues			
Property taxes			160,521
Investment earnings			<u>1,748</u>
Total general revenues			<u>162,269</u>
CHANGE IN NET ASSETS			(8,919)
Net assets, beginning of year			<u>60,661</u>
Net assets, end of year			<u>\$ 51,742</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Johns is the county seat for Clinton County, Michigan, and has a population of approximately 7,485. St. Johns is a Home Rule City with a City Manager/Commission form of government. The City is located eighteen (18) miles north of Lansing, the State Capital, and is known as the "Mint Festival City".

The City has five City Commissioners who are selected at large for overlapping four (4) year terms. The Commission appoints the City Manager, Clerk, Treasurer, and Assessor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of St. Johns (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the City's audit and are not audited separately.

2. Blended Component Unit

The Building Authority is governed by a three (3) member board appointed by the City Commission. Its purpose is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites therefore for the use of the City.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the City of St. Johns remains financially accountable for these entities or the nature and significance of the relationship between these entities and the City of St. Johns is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Local Development Finance Authority (LDFA) is governed by a ten (10) member board, seven (7) of whom are appointed by the Chief Executive Officer, subject to approval by the City Commission, one (1) of whom is appointed by the Clinton County Board of Commissioners, and two (2) of whom are appointed by the chief executive officer of St. Johns Public Schools. The purpose of the LDFA is to eliminate the causes of unemployment, underemployment, and joblessness and to promote economic growth in the City, pursuant to Act 281 of the Public Acts of Michigan, 1986, as amended. The City has the ability to significantly influence operations of the LDFA and also has a potential financial benefit or burden. The LDFA is legally separate and fiscally independent of the City. The LDFA is included in the City's audit and is not audited separately.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - concluded

The Principal Shopping District (PSD) is governed by a board of no less than nine (9) and no more than thirteen (13) directors. The board is comprised of owners and/or operators of downtown businesses, excepting by statute that one member shall be a representative of the City and one member shall be an adjacent neighborhood resident to the downtown area. The members are appointed by the City Commission. In addition, the Clinton County Board of Commissioners appoints one County representative to the board. The purpose of the PSD is to facilitate programs for an improved growth environment in and near downtown St. Johns, and to assist the downtown area in becoming a stronger mixed-use urban center by encouraging a variety of retail, service, professional, residential and recreational opportunities. The City has the ability to significantly influence operations of the PSD and also has a potential financial benefit or burden. The PSD is legally separate and fiscally independent of the City. The PSD is included in the City's audit and is not audited separately.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of local streets.
- c. The Garbage Fund is used to account for the proceeds of garbage collection that are legally restricted to expenditures for the purpose of garbage collection.
- d. The 2007 Capital Improvement Bonds Fund is used to account for bonds received and expended for capital improvement to streets within the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - concluded

The City reports the following major enterprise fund:

a. The Water and Sewer Fund is used to account for the operations required to providing water and sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.

Additionally, the City reports an internal service fund to account for the management of mobile equipment provided to other departments of the City on cost reimbursement basis.

The City also reports an agency fund to account for assets held by the City as an agent for other governments, private organizations, or individuals. Agency funds are, by nature, custodial; therefore, operation results are not measured. The City's agency fund is the Current Tax Collections Fund.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for the fiduciary agency fund since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and agency funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - concluded

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the City Commission and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to June 1, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted, all transfers of budgeted amounts between departments within the General Fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- h. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were not material in relation to the original budgets which were amended.

8. Deposits and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of mutual funds. Investments are reported at fair value.

9. Property Tax

The City of St. Johns bills and collects its own property taxes and taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Property Tax - concluded

Property taxes are levied by the City of St. Johns on July 1 and December 1 and are payable without penalty through August 14 and February 14, respectively. The July 1 levy was composed of two-thirds of the County's levy, the State Education Tax assessment and the City's millage and assessments. The December 1 levy was composed of one-third of the County's levy and school taxes as well as any unpaid July 1 City levies. All real property taxes not paid to the City by March 1 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits pay-off payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by state statute to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than the payment of Debt Service Fund expenditures. They are also permitted to levy additional mills specifically designated for Library, Garbage, and Recreation services. For the year ended June 30, 2007, the City levied 9.5729 mills for general governmental services, .9988 mill for Library services, .5000 mills for Garbage services, and .2459 mills for Recreation services. The total taxable value for the 2006 levy for property within the City was \$203,267,833.

10. Inventories

Inventories in the Enterprise Fund consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis. Inventory in the Internal Service Fund consist of consumable Mobile Equipment supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Prepayments

Prepaid expenditures in the governmental funds, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

13. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund and Internal Service Fund (Mobile Equipment) records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**14. Capital Assets****PRIMARY GOVERNMENT AND COMPONENT UNITS**

Capital assets include land, land improvements, buildings and improvements, equipment, vehicles, and construction in progress and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 25 years
Buildings and improvements	20 - 40 years
Vehicles	5 years
Furniture and other assets	5 years
Infrastructure	20 years
Drain flowage rights	25 years
Sewer lines	40 years
Pump stations	20 years
Equipment	3 -10 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

The City cash and cash equivalents consist of a common savings account, a common checking account, various savings, money markets, mutual funds, checking accounts, and a certificate of deposit with an original maturity of 90 days or less maintained by individual funds and are reported as cash and cash equivalents in the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the 3 highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City's investment policy is more restrictive than Michigan Compiled Laws. The City's investment policy authorizes the following investment vehicles:

1. All bonds, securities, and obligations of the United States or any of its agencies or instrumentalities.
2. Certificates of deposit, savings accounts, deposit accounts.
3. Repurchase agreements with the City's main depositories.
4. Money market mutual funds whose portfolios consist of U.S. government securities or other broadly diversified money market instruments as permitted by State law and whose portfolios are limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
5. Investment pools composed of investment vehicles which are legal for direct investment by local units of government in Michigan in accordance with Act No. 367 of the Public Acts of 1982.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, the carrying amount of the City's deposits was \$7,643,053 and the bank balance was \$7,771,760 of which \$381,732 was covered by federal depository insurance. The balance of \$7,390,028 was uninsured and uncollateralized. The financial statements include \$1,124 of imprest cash.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH AND CASH EQUIVALENTS - CONCLUDEDExternal Pooled Investment Funds

The City has funds in an external investment pool authorized by Michigan Public Act No. 367 of the Public Acts of 1982. As of June 30, 2007, the carrying amount and fair values of the external pooled investment funds was \$232,414. The fair value of the City's position in the external investment pool is the same as the value of the pool shares.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The City's investment in the external pooled investment funds are not categorized at risk level because it is not evidenced by securities that exist in physical or book form.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements.

Concentration of credit risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business in accordance with Commission approved policy.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,854,713	\$ 53,679	\$ 514	\$ 6,908,906
Cash and cash equivalents - restricted	<u>967,685</u>	<u>-</u>	<u>-</u>	<u>967,685</u>
	<u>\$ 7,822,398</u>	<u>\$ 53,679</u>	<u>\$ 514</u>	<u>\$ 7,876,591</u>

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED

The following summarizes the restricted cash and cash equivalents as of June 30, 2007:

	<u>Debt Retirement</u>	<u>Other</u>	<u>Total</u>
Water and Sewer Fund	<u>\$ 963,716</u>	<u>\$ 3,969</u>	<u>\$ 967,685</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2007, are as follows:

Due to General Fund from:	
2007 Capital Improvement Bonds Fund	\$ 450
Nonmajor governmental funds	<u>127</u>
	<u>\$ 577</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to Local Street Fund from:	
General Fund	\$ 300,000
Nonmajor governmental funds	<u>86,000</u>
	<u>\$ 386,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 137,383
Nonmajor governmental funds	<u>134,810</u>
	<u>\$ 272,193</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 1,006,450	\$ -	\$ -	\$ 1,006,450
Construction in progress	<u>35,716</u>	<u>228,203</u>	<u>(263,919)</u>	<u>-0-</u>
Total capital assets not being depreciated	1,042,166	228,203	(263,919)	1,006,450
Capital assets, being depreciated:				
Land improvements	1,045,651	-	-	1,045,651
Buildings and improvements	2,887,486	-	-	2,887,486
Vehicles	1,752,351	111,106	(92,211)	1,771,246
Furniture and other assets	833,959	26,696	-	860,655
Drain flowage rights	30,623	-	-	30,623
Infrastructure	<u>7,277,210</u>	<u>931,086</u>	<u>-</u>	<u>8,208,296</u>
Total capital assets being depreciated	13,827,280	1,068,888	(92,211)	14,803,957
Less accumulated depreciation for:				
Land improvements	(205,522)	(45,453)	-	(250,975)
Buildings and improvements	(591,265)	(72,610)	-	(663,875)
Vehicles	(1,114,929)	(96,948)	85,481	(1,126,396)
Furniture and other assets	(728,386)	(33,598)	-	(761,984)
Drain flowage rights	(4,350)	(1,225)	-	(5,575)
Infrastructure	<u>(3,273,210)</u>	<u>(334,400)</u>	<u>-</u>	<u>(3,607,610)</u>
Total accumulated depreciation	<u>(5,917,662)</u>	<u>(584,234)</u>	<u>85,481</u>	<u>(6,416,415)</u>
Total capital assets being depreciated, net	<u>7,909,618</u>	<u>484,654</u>	<u>(6,730)</u>	<u>8,387,542</u>
Governmental activities capital assets, net	<u>\$ 8,951,784</u>	<u>\$ 712,857</u>	<u>\$(270,649)</u>	<u>\$ 9,393,992</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 182,460
Public safety	9,917
Public works	339,415
Recreation and cultural	<u>52,442</u>
Total Depreciation Expense	<u>\$ 584,234</u>

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE F: CAPITAL ASSETS - CONCLUDED

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 91,570	\$ -	\$ -	\$ 91,570
Capital assets, being depreciated:				
Water system	5,182,222	159,976	-	5,342,198
Sewer system	19,072,219	-	(2,638)	19,069,581
Water and sewer equipment	1,030,160	143,021	(4,007)	1,169,174
Total capital assets being depreciated	25,284,601	302,997	(6,645)	25,580,953
Less accumulated depreciation for:				
Water system	(3,079,694)	(106,295)	-	(3,185,989)
Sewer system	(7,208,439)	(384,259)	2,638	(7,590,060)
Water and sewer equipment	(792,505)	(36,781)	4,007	(825,279)
Total accumulated depreciation	(11,080,638)	(527,335)	6,645	(11,601,328)
Total capital assets being depreciated, net	14,203,963	(224,338)	-0-	13,979,625
Business-type activities capital assets, net	\$ 14,295,533	\$ (224,338)	\$ -0-	\$ 14,071,195

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2007.

PRIMARY GOVERNMENT

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Governmental Activities					
1997 Building Authority Bonds	\$ 510,000	\$ -	\$ 35,000	\$ 475,000	\$ 35,000
1998 Michigan Transportation Bonds	230,000	-	30,000	200,000	30,000
1998 Building Authority Bonds	1,055,000	-	60,000	995,000	60,000
2001 Walker Road G.O. Bonds	145,000	-	25,000	120,000	25,000
2001 Walker Road Special Assessment Bonds	85,000	-	15,000	70,000	20,000
2003 Michigan Transportation Fund Bonds	480,000	-	10,000	470,000	15,000
2004 Capital Improvement Bonds	675,000	-	65,000	610,000	70,000
Accumulated vacation, sick leave, and longevity	310,427	192,047	194,497	307,977	102,659
Note payable - Fifth Third Bank, Land	122,000	-	29,000	93,000	30,000
Note payable - Citizens Bank, Depot	18,894	-	9,249	9,645	9,645
Note payable - Fifth Third Bank, Land	107,677	-	14,754	92,923	14,140
Note payable - Banc One, Land	433,025	-	53,300	379,725	27,779
Note payable - Citizens Bank, Front-loader	30,141	-	14,953	15,188	15,188
CDBG Loan - MEDC - 2002	315,190	-	34,075	281,115	34,075
Note Payable - Firstbank, Fire truck	107,620	-	9,246	98,374	9,870
2007 Capital Improvement Bonds	-	1,850,000	-	1,850,000	70,000
Governmental activities long-term liabilities	4,624,974	2,042,047	599,074	6,067,947	568,356

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Amounts Due Within One Year
Business-type Activities					
Water Supply and Sewage					
1997 System Revenue Bonds	\$ 375,000	\$ -	\$ 120,000	\$ 255,000	\$ 125,000
1997A System Revenue Bonds	85,000	-	25,000	60,000	30,000
2003 Water and Sewer Refunding Bonds	4,510,000	-	190,000	4,320,000	200,000
2005 Water and Sewer Revenue Bonds	3,240,000	-	25,000	3,215,000	25,000
Add (less) deferred amounts:					
For issuance discounts/premiums (net)	29,705	-	1,320	28,385	-
Total bonds payable	8,239,705	-0-	361,320	7,878,385	380,000
CDBG Loan - MEDC - 2002	137,807	-	14,898	122,909	14,898
Business-type activities long-term liabilities	8,377,512	-0-	376,218	8,001,294	394,898
TOTAL PRIMARY GOVERNMENT	\$ 13,002,486	\$ 2,042,047	\$ 975,292	\$ 14,069,241	\$ 963,254

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above total for governmental activities.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Long-Term Debt Bonds (Payable from Debt Service Funds)

\$750,000 1997 General Obligation Building Authority Bonds dated March 1, 1997, due in annual installments ranging from \$35,000 to \$60,000 through October 1, 2016, with interest ranging from 5.10 to 5.50 percent, payable semi-annually.	\$ 475,000
\$430,000 1998 Michigan Transportation Fund Bonds dated May 1, 1998, due in semi-annual installments ranging from \$30,000 to \$35,000 through August 1, 2012, with interest at 4.80 percent, payable semi-annually.	200,000
\$1,400,000 1998 Building Authority Bonds dated November 1, 1998, due in annual installments ranging from \$60,000 to \$110,000 through October 1, 2018, with interest at 4.375 percent, payable semi-annually.	995,000
\$250,000 2001 Walker Road Bonds dated September 1, 2001, due in annual installments ranging from \$25,000 to \$35,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	120,000
\$165,000 2001 Walker Road Special Assessment Bonds dated September 1, 2001, due in annual installments ranging from \$15,000 to \$20,000 through March 1, 2011, with interest of 4.0 percent, payable semi-annually.	70,000
\$480,000 2003 Michigan Transportation Fund Bonds dated December 1, 2003, due in annual installments ranging from \$15,000 to \$70,000 through August 1, 2018, with interest ranging from 3.125 to 4.200 percent, payable semi-annually.	470,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT - CONTINUED****General Long-Term Debt Bonds (Payable from Debt Service Funds) - Concluded**

\$735,000 2004 Capital Improvement Bonds dated October 1, 2004, due in annual installments ranging from \$70,000 to \$90,000 through March 1, 2015, with interest ranging from 2.50 to 4.10 percent, payable semi-annually.	\$ 610,000
\$1,850,000 2007 Capital Improvement Bonds dated May 3, 2007, due in annual installments ranging from \$65,000 to \$130,000 through April 1, 2027, with interest ranging from 4.000 to 4.125 percent, payable semi-annually.	<u>1,850,000</u>
	<u>\$ 4,790,000</u>

The 2001 Walker Road Special Assessment Bonds were issued to provide funds to finance improvements made to Walker Road. These bonds will be repaid from amounts levied against the property owners benefited by these improvements. In the event a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received.

Water Supply and Sewage Disposal System Bonds

Water Supply and Sewage Disposal System Revenue Bonds dated March 1, 1997, due in annual installments ranging from \$125,000 to \$130,000 through October 1, 2008, with interest ranging from 5.00 to 5.10 percent, payable semi-annually.	\$ 255,000
Water Supply and Sewage Disposal System Revenue Bonds dated May 1, 1997, due in annual installments of \$30,000 through October 1, 2008, with interest ranging from 5.00 to 5.60 percent, payable semi-annually.	60,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated May 24, 2005, due in annual installments ranging from \$25,000 to \$575,000 through October 1, 2017, with interest ranging from 3.00 to 5.00 percent, payable semi-annually.	3,215,000
Water Supply and Sewage Disposal System Revenue Refunding Bonds dated July 1, 2003, due in annual installments ranging from \$5,000 to \$300,000 through October 1, 2027, with interest ranging from 2.00 to 4.40 percent, payable semi-annually.	<u>4,320,000</u>
	<u>\$ 7,850,000</u>

General Long-Term Debt Note and Loan Payable Agreements (Payable from General Fund)

1995 Note due in annual installments of \$37,328 through October 1, 2009, for land (116.58 acres) costing \$349,740.	\$ 93,000
1998 Note due in a final installment of \$9,645 on February 15, 2008, for purchase of the Depot.	9,645
2003 Note due in monthly installments of \$1,439 through June 20, 2013, to refinance a note for land costing \$191,000.	92,923

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONTINUED**PRIMARY GOVERNMENT - CONTINUED****General Long-Term Debt Note and Loan Payable Agreements (Payable from General Fund) - Concluded**

2003 Note due in annual installments ranging from \$27,779 to \$53,300 through July 1, 2019, for land costing \$536,000.	\$ 379,725
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	\$ 575,293
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Internal Service Fund Note Payable Agreement

2003 Note due in a final installment of \$15,188 through May 1, 2008, for a Front End Loader costing \$72,414.	\$ 15,188
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2006 Note due in semi-annual installments of \$6,850 through October 1, 2015, for a Fire Truck costing \$212,195.	98,374
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	\$ 113,562
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CDBG Loans - Michigan Economic Development Corporation (MEDC)

On August 23, 2002, the City received a loan award of \$1,100,000 from the Michigan Economic Development Corporation for the expansion of the industrial park. These funds were derived from the Federal Community Development Block Grant (CDBG) program. The City received a credit of \$10,000 for each qualifying net new job in excess of 115 jobs created as a result of this expansion up to 50% of the loan amount, plus accrued interest. Quarterly principal payments of \$12,243 are due through August 1, 2015.

Since the expansion related to both streets and utilities infrastructure, the loan proceeds were recorded in both the Capital Project Fund and Water and Sewer (Enterprise) Fund.

The outstanding balance as of June 30, 2007, is as follows:

Industrial Park #1	\$ 281,115
Water and Sewer Fund	122,909
	<u>\$ 404,024</u>

Accrued Vacation, Sick Leave and Longevity

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave, and also receive an annual longevity payment. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$307,977 at June 30, 2007. For governmental activities, accrued vacation, sick leave, and longevity are generally liquidated by the General Fund.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Land Contract are as follows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE G: LONG-TERM DEBT - CONCLUDED**Primary Government**

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Loans, Notes and Land Contract Agreements</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 305,000	\$ 188,148	\$ 380,000	\$ 305,342	\$ 155,595	\$ 35,299	\$ 20,000	\$ 2,800
2009	315,000	182,254	390,000	291,550	133,324	28,475	15,000	2,000
2010	325,000	169,272	400,000	278,079	135,934	25,084	20,000	1,400
2011	345,000	147,734	415,000	264,751	105,504	17,180	15,000	600
2012	320,000	141,168	425,000	250,220	107,309	14,752	-	-
2013 - 2017	1,665,000	485,938	2,480,000	968,545	384,396	40,034	-	-
2018 - 2022	845,000	199,323	1,660,000	505,686	70,817	3,324	-	-
2023 - 2027	600,000	76,177	1,400,000	223,488	-	-	-	-
2028 - 2031	-	-	300,000	6,600	-	-	-	-
	<u>\$ 4,720,000</u>	<u>\$1,590,014</u>	<u>\$ 7,850,000</u>	<u>\$ 3,094,261</u>	<u>\$ 1,092,879</u>	<u>\$ 164,148</u>	<u>\$ 70,000</u>	<u>\$ 6,800</u>

Advance Refunding - Prior

On May 24, 2005, the City defeased a portion of the 1997 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable October 1, 1997 through October 1, 2016, and a portion of the 1997A Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1997 through October 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2005 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$3,240,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, bonds due and payable October 1, 2009 through October 1, 2016 for the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds in the amount of \$1,375,000 and bonds due and payable October 1, 2009 through October 1, 2016 for the 1997A Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,685,000 are considered defeased.

On July 31, 2003, the City defeased a portion of the 1991 Water Supply and Sewage Disposal System Revenue Refunding Bonds which were due and payable May 1, 1991 through October 1, 2006, and a portion of the 1993 Water Supply and Sewage Disposal System Revenue Bonds, which were due and payable October 1, 1993 through October 1, 2013. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2003 Water Supply and Sewage Disposal System Revenue and Revenue Refunding Bonds in the amount of \$4,875,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, bonds due and payable October 1, 2007 through October 1, 2013 for the 1993 Water Supply and Sewage Disposal System Revenue Bonds in the amount of \$1,520,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: RETIREMENT PLANPlan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees. The City is required to provide amounts necessary to fund the system.

Annual Pension Cost

For year ended June 30, 2007 the City's annual pension cost of \$372,548 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Actual contributions were based on actual reported monthly pays. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.40% per year depending on age, seniority, and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The general division of the plan is closed to new hires; the police and fire division of the plan is open to new hires. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 8,458,569	\$ 8,676,963	\$ 9,055,038
Actuarial accrued liability (AAL) (entry age)	11,933,834	12,634,727	13,099,082
Unfunded AAL	3,475,265	3,957,764	4,044,044
Funded ratio	71 %	69 %	69 %
Covered payroll	1,704,339	1,654,939	1,732,517
UAAL as a percentage of covered payroll	204 %	239 %	233 %

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 328,744	\$ 308,449	\$ 372,548
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE I: COMMITMENTS

In December 1998, the City entered into a construction agreement with Clinton County to construct a new Courthouse. At the same time, the Building Authority entered into a ground lease with Clinton County that provides the City administrative office space for a term of ninety-nine (99) years, at a rate of \$1 per year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE I: COMMITMENTS - CONCLUDED

The terms of the construction agreement dictate that the City shall pay 9.2% of the cost of improvements incurred by the County. The terms of the ground lease dictate that the County or City may terminate the lease on or after the December 31 occurring not earlier than ten (10) years following occupancy ("termination date"). For ten (10) years following the termination date, the County or City may terminate the lease subject to varying percentage payments reimbursing the City for their pro rata share of the cost of improvements. After the tenth year following the termination date, either party may terminate the lease subject to 100% reimbursement of the City's pro rata share of the cost of improvements.

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use.

The following are the various fund balance reserves as of June 30, 2007:

Fund Balance

Primary Government

General Fund

Reserved for prepaids	\$ 2,930
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Nonmajor governmental funds

Reserved for prepaids	\$ 2,030
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Reserved for debt service	159,500
---------------------------	---------

	<u>\$ 161,530</u>
--	-------------------

The following are the various fund balance designations as of June 30, 2007:

General Fund

Designated for debt service	\$ 305,000
-----------------------------	------------

2007 Capital Improvement Fund

Designated for capital projects	\$ 1,798,841
---------------------------------	--------------

Nonmajor governmental funds

Designated for debt service	\$ 487,864
-----------------------------	------------

Designated for capital projects	54,693
---------------------------------	--------

	<u>\$ 542,557</u>
--	-------------------

NOTE K: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE K: RISK MANAGEMENT - CONCLUDED

The City also participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE L: BUILDING AND ZONING FINANCIAL INFORMATION

The City elected to report the financial activities of the building and zoning department in the General Fund. The following is the State required information as it relates to this department activity for the period July 1, 2006 to June 30, 2007:

REVENUES	
Building permits	\$ 56,667
EXPENDITURES	
Contracted services	<u>44,790</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 11,877</u>

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local government unit not incur expenditures in excess of amounts appropriated.

In the body of the required and other supplementary information to the financial statements, the City's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2007, the City incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Administration	\$ 1,017,902	\$ 1,028,010	\$ 10,108
Rental rehabilitation	300,000	336,986	36,986
City parks	116,701	119,372	2,671
Debt service			
Principal	35,244	140,378	105,134
Interest	-	30,885	30,885
Capital outlay	23,500	35,158	11,658
Special Revenue Funds			
Garbage Fund	660,238	688,140	27,902
Local Street Fund	617,048	683,898	66,850

City of St. Johns

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE N: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

PRIMARY GOVERNMENT

Governmental activities

Restricted for:

Debt service	\$ 101,987
Capital projects	1,841,927
Drug law enforcement	1,941
Streets	<u>482,581</u>

Total governmental activities \$ 2,428,436

Business-type activities

Restricted for:

Debt service	<u>\$ 963,716</u>
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REQUIRED SUPPLEMENTARY INFORMATION

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	Original Budget	Final Amended Budget	2007 Actual	Variance with Final Budget Positive (Negative)	2006 Actual
REVENUES					
Taxes					
General property tax	\$ 1,860,705	\$ 1,860,705	\$ 1,842,302	\$ (18,403)	\$ 1,766,831
Act 359 tax	50,000	50,000	47,928	(2,072)	48,790
Property taxes on other than assessed valuation	3,500	3,500	5,385	1,885	4,879
Penalties and interest	7,000	7,000	16,116	9,116	11,781
Administrative fees	81,000	81,000	89,820	8,820	86,349
Total taxes	2,002,205	2,002,205	2,001,551	(654)	1,918,630
Licenses and permits					
Parking permits	3,000	3,000	4,700	1,700	3,745
Building permits	65,000	65,000	56,677	(8,323)	50,972
Peg channel fees	-	-	13,855	13,855	-
Franchise fees	68,000	68,000	67,708	(292)	49,025
City licenses and permits	600	600	2,170	1,570	1,164
Total licenses and permits	136,600	136,600	145,110	8,510	104,906
Intergovernmental					
State shared revenue					
Sales tax	749,812	749,812	738,444	(11,368)	747,033
Liquor licenses	4,000	4,000	3,943	(57)	4,394
Metro act	20,000	20,000	23,203	3,203	23,123
Local	27,650	27,650	159,826	132,176	200,527
Other Federal grants	-	365,000	381,944	16,944	198,860
Total intergovernmental	801,462	1,166,462	1,307,360	140,898	1,173,937
Charges for services					
Filing fees	10,000	10,000	-	(10,000)	-
Fire protection	10,000	10,000	9,700	(300)	8,050
Water and sewage administration	300,000	300,000	300,000	-0-	288,000
Mobile equipment administration	48,145	48,145	48,145	-0-	48,145
Library administration and maintenance	20,600	20,600	20,600	-0-	20,000
Garbage administration	72,500	72,500	72,500	-0-	72,500
LDFA administration	7,500	7,500	7,500	-0-	7,500
Recreation	76,200	76,200	72,796	(3,404)	78,979
Total charges for services	544,945	544,945	531,241	(13,704)	523,174
Fines and forfeits					
Parking fines	5,000	5,000	5,345	345	5,994
District court	30,000	30,000	32,664	2,664	40,923
Total fines and forfeits	35,000	35,000	38,009	3,009	46,917
Interest and rents					
Interest	35,000	95,000	107,249	12,249	54,151
Rents	21,650	21,650	18,953	(2,697)	19,439
Total interest and rents	56,650	116,650	126,202	9,552	73,590

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUEDYear Ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	Original Budget	Final Amended Budget	2007 Actual	Variance with Final Budget Positive (Negative)	2006 Actual
REVENUES - CONCLUDED					
Other revenue					
Donations	\$ -	\$ 5,500	\$ 5,505	\$ 5	\$ 14,500
Other reimbursements	82,950	93,450	109,941	16,491	105,070
Sale of capital assets	-	181,300	181,236	(64)	685,211
Miscellaneous	12,200	17,960	24,317	6,357	46,593
Total other	95,150	298,210	320,999	22,789	851,374
TOTAL REVENUES	3,672,012	4,300,072	4,470,472	170,400	4,692,528
EXPENDITURES					
General government					
Legislative	304,785	304,785	286,750	18,035	319,494
Administration	941,502	1,017,902	1,028,010	(10,108)	953,049
Municipal building	80,000	82,000	81,682	318	80,800
Cemetery	5,000	5,000	5,000	-0-	5,000
Other	19,360	19,360	19,360	-0-	19,360
Total general government	1,350,647	1,429,047	1,420,802	8,245	1,377,703
Public safety					
Police department	1,117,716	1,123,416	1,083,510	39,906	1,013,823
Fire department	264,326	264,326	253,953	10,373	313,607
Total public safety	1,382,042	1,387,742	1,337,463	50,279	1,327,430
Public works					
Department of public works	283,141	283,141	260,512	22,629	289,587
Community and economic development					
Housing administration	3,000	3,000	1,296	1,704	12,233
Rental rehabilitation	-	300,000	336,986	(36,986)	157,286
Total community and economic development	3,000	303,000	338,282	(35,282)	169,519
Recreation and cultural					
Recreation department	132,310	133,810	119,436	14,374	132,148
City parks	102,201	116,701	119,372	(2,671)	138,331
Total recreation and cultural	234,511	250,511	238,808	11,703	270,479
Debt service					
Principal	35,244	35,244	140,378	(105,134)	136,128
Interest	-	-	30,885	(30,885)	37,341
Total debt service	35,244	35,244	171,263	(136,019)	173,469
Capital outlay	25,000	23,500	35,158	(11,658)	682,917
TOTAL EXPENDITURES	3,313,585	3,712,185	3,802,288	(90,103)	4,291,104

City of St. Johns

General Fund

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2007
With Actual Amounts for Year Ended June 30, 2006

	Original Budget	Final Amended Budget	2007 Actual	Variance with Final Budget Positive (Negative)	2006 Actual
EXCESS OF REVENUES OVER EXPENDITURES	\$ 358,427	\$ 587,887	\$ 668,184	\$ 80,297	\$ 401,424
OTHER FINANCING USES					
Transfers out	(440,624)	(440,624)	(437,383)	3,241	(147,426)
NET CHANGE IN FUND BALANCE	(82,197)	147,263	230,801	83,538	253,998
Fund balance, beginning of year	1,120,731	1,120,731	1,120,731	-0-	866,733
Fund balance, end of year	<u>\$ 1,038,534</u>	<u>\$ 1,267,994</u>	<u>\$ 1,351,532</u>	<u>\$ 83,538</u>	<u>\$ 1,120,731</u>

City of St. Johns

Local Street Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 153,248	\$ 153,248	\$ 142,403	\$ (10,845)
Interest	1,800	-	514	514
Other	-	-	3,150	3,150
TOTAL REVENUES	155,048	153,248	146,067	(7,181)
EXPENDITURES				
Public works				
Highways and streets				
Administrative	17,702	17,702	32,970	(15,268)
Street maintenance	445,753	558,753	617,985	(59,232)
Traffic service maintenance	6,910	8,910	8,405	505
Winter maintenance	33,683	31,683	24,538	7,145
TOTAL EXPENDITURES	504,048	617,048	683,898	(66,850)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(349,000)	(463,800)	(537,831)	(74,031)
OTHER FINANCING SOURCES				
Transfers in	349,000	386,000	386,000	-0-
NET CHANGE IN FUND BALANCE	-0-	(77,800)	(151,831)	(74,031)
Fund balance, beginning of year	172,083	172,083	172,083	-0-
Fund balance, end of year	\$ 172,083	\$ 94,283	\$ 20,252	\$ (74,031)

City of St. Johns

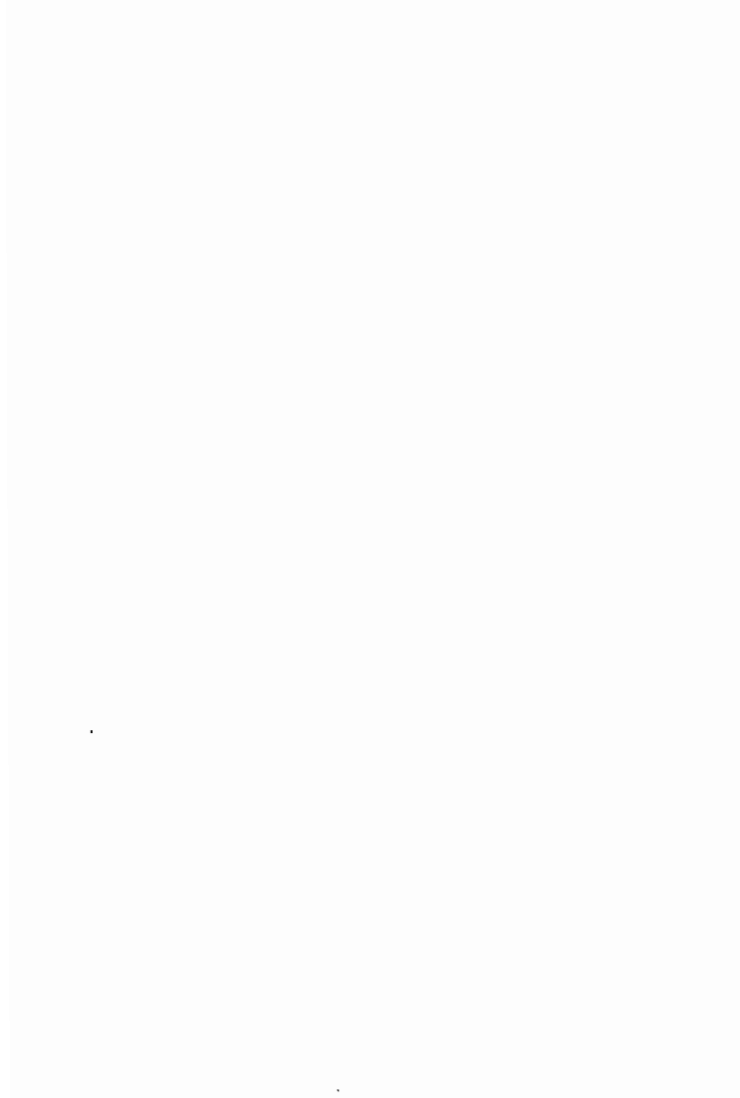
Garbage Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 97,716	\$ 97,716	\$ 101,654	\$ 3,938
Charges for services	486,260	486,260	496,902	10,642
Interest	6,000	6,000	16,750	10,750
Miscellaneous	-	-	1,833	1,833
TOTAL REVENUES	589,976	589,976	617,139	27,163
EXPENDITURES				
Public works	660,238	660,238	688,140	(27,902)
NET CHANGE IN FUND BALANCE	(70,262)	(70,262)	(71,001)	(739)
Fund balance, beginning of year	207,985	207,985	207,985	-0-
Fund balance, end of year	<u>\$ 137,723</u>	<u>\$ 137,723</u>	<u>\$ 136,984</u>	<u>\$ (739)</u>

OTHER SUPPLEMENTARY INFORMATION



**Nonmajor Governmental Funds
Fund Descriptions**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to record the expenditures associated with specific revenues that are legally restricted for specific purposes.

Major Street - The Major Street fund accounts for revenues received from the State of Michigan for the City's share of State gasoline and weight taxes, which is used for maintenance of major streets.

Library - This fund accounts for all revenues received by the City for the operation and maintenance of the public library. Financing is provided primarily by an annual property tax levy, penal fines distributed by the county, and through donations.

Drug Law Enforcement - This fund accounts for all revenues received by the City for drug forfeiture activities, which finance the City drug law enforcement program activities and related public safety activities.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment general obligation bond principal and interest from governmental resources.

1991 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1991 Michigan Transportation Fund Bonds related to local streets.

1997 Library Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Library Facility. Funding is set aside from the Library Fund's operating revenue and designated in the Library Fund fund balance.

1998 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 1998 Michigan Transportation Fund Bonds related to major and local streets.

1998 Courthouse Building Authority Fund Bonds - This fund is used to account for payment of principal and interest of bonds related to the Courthouse project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road General Obligation Bonds - This fund is used to account for payment of principal and interest of bonds related to the Walker Road project. Funding is set aside from the General Fund's operating revenue.

2001 Walker Road Special Assessment Bonds - This fund is used to account for payment of principal and interest of special assessment debt related to the Walker Road project.

2003 Michigan Transportation Fund Bonds - This fund accounts for the payment of the 2003 Michigan Transportation Fund Bonds related to major streets.

Capital Improvement Bonds - This fund is used to account for the payment of principal and interest of bonds related to the Capital Improvement Fund.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Fantasy Forest - This fund accounts for funds received and expended for the construction of a city owned playground structure.

Michigan Transportation Project - This fund accounts for funds received and expended for the construction related to major streets.

Capital Improvement - This fund accounts for funds received and expended for capital improvement to the City's streetscape.

Revolving Special Assessment - This fund accounts for small capital projects that are repaid through assessments to residents. Costs and repayment of projects are monitored through this fund.

City of St. Johns
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2007

	Special Revenue Funds		
	Major Street	Library	Drug Law Enforcement
ASSETS			
Cash and cash equivalents	\$ 407,754	\$ 618,718	\$ 2,291
Special assessment receivable	-	-	-
Due from other governmental units	59,603	140,404	-
Prepays	-	2,030	-
TOTAL ASSETS	<u>\$ 467,357</u>	<u>\$ 761,152</u>	<u>\$ 2,291</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,560	\$ 13,215	\$ 350
Salaries payable	2,468	8,372	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	5,028	21,587	350
FUND BALANCES			
Reserved for			
Prepays	-	2,030	-
Debt service	-	-	-
Unreserved			
Designated for debt service, reported in Special revenue funds	-	487,864	-
Designated for capital projects, reported in Capital projects funds	-	-	-
Undesignated, reported in Special revenue funds	462,329	249,671	1,941
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>462,329</u>	<u>739,565</u>	<u>1,941</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 467,357</u>	<u>\$ 761,152</u>	<u>\$ 2,291</u>

Debt Service Funds

1991 Michigan Transportation Fund Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds	2001 Walker Road GO Bonds	2001 Walker Road Special Assessment Bonds
\$ 169	\$ 128,223	\$ -	\$ 6,241	\$ 14,232	\$ 10,533
-	-	-	-	-	64,204
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 169</u>	<u>\$ 128,223</u>	<u>\$ -0-</u>	<u>\$ 6,241</u>	<u>\$ 14,232</u>	<u>\$ 74,737</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	64,204
-0-	-0-	-0-	-0-	-0-	64,204
-	-	-	-	-	-
169	128,223	-	6,241	14,232	10,533
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>169</u>	<u>128,223</u>	<u>-0-</u>	<u>6,241</u>	<u>14,232</u>	<u>10,533</u>
<u>\$ 169</u>	<u>\$ 128,223</u>	<u>\$ -0-</u>	<u>\$ 6,241</u>	<u>\$ 14,232</u>	<u>\$ 74,737</u>

CONTINUED

City of St. Johns

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

June 30, 2007

	<u>Debt Service Funds - Concluded</u>		<u>Capital Projects</u>
	2003		Funds
	Michigan Transportation Fund Bonds	Capital Improvement Bonds	Fantasy Forest
ASSETS			
Cash and cash equivalents	\$ 352	\$ -	\$ 11,607
Special assessment receivable	-	321,392	-
Due from other governmental units	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 352</u>	<u>\$ 321,392</u>	<u>\$ 11,607</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 250	\$ -	\$ -
Salaries payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	321,392	-
TOTAL LIABILITIES	250	321,392	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Debt service	102	-	-
Unreserved			
Designated for debt service, reported in			
Special revenue funds	-	-	-
Designated for capital projects, reported in			
Capital projects funds	-	-	11,607
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>102</u>	<u>-0-</u>	<u>11,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 352</u>	<u>\$ 321,392</u>	<u>\$ 11,607</u>

Capital Project Funds - Concluded

<u>Michigan Transportation Project</u>	<u>Capital Improvement</u>	<u>Revolving Special Assessment</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 16,149	\$ 40,888	\$ 2,325	\$ 1,259,482
-	-	15,751	401,347
-	-	-	200,007
-	-	-	2,030
<u>\$ 16,149</u>	<u>\$ 40,888</u>	<u>\$ 18,076</u>	<u>\$ 1,862,866</u>
\$ 16,149	\$ -	\$ -	\$ 32,524
-	-	-	10,840
-	127	-	127
-	-	15,751	401,347
<u>16,149</u>	<u>127</u>	<u>15,751</u>	<u>444,838</u>
-	-	-	2,030
-	-	-	159,500
-	-	-	487,864
-	40,761	2,325	54,693
-	-	-	713,941
-	-	-	-
<u>-0-</u>	<u>40,761</u>	<u>2,325</u>	<u>1,418,028</u>
<u>\$ 16,149</u>	<u>\$ 40,888</u>	<u>\$ 18,076</u>	<u>\$ 1,862,866</u>

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue Funds		
	Major Street	Library	Drug Law Enforcement
REVENUES			
Property taxes	\$ -	\$ 202,830	\$ -
Intergovernmental			
State	362,972	14,378	-
Local	-	56,448	-
Charges for services	-	13,743	-
Fines and forfeits	-	133,248	-
Interest and rents	15,609	35,304	83
Other	1,744	30,367	-
TOTAL REVENUES	380,325	486,318	83
EXPENDITURES			
Current			
General government	-	-	-
Public works	216,406	-	-
Recreation and cultural	-	403,479	-
Capital outlay	-	13,009	-
Debt service			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	216,406	416,488	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	163,919	69,830	83
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(159,282)	(61,528)	-
TOTAL OTHER FINANCING SOURCES (USES)	(159,282)	(61,528)	-0-
NET CHANGE IN FUND BALANCES	4,637	8,302	83
Fund balances, beginning of year	457,692	731,263	1,858
Fund balances, end of year	\$ 462,329	\$ 739,565	\$ 1,941

Debt Service Funds					
1991 Michigan Transportation Fund Bonds	1997 Library Bldg. Authority Fund Bonds	1998 Michigan Transportation Fund Bonds	1998 Courthouse Bldg. Authority Fund Bonds	2001 Walker Road GO Bonds	2001 Walker Road Special Assessment Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8	4,311	1	-	1,567	4,441
-	-	-	-	20	14,710
8	4,311	1	-0-	1,587	19,151
-	114	-	-	113	120
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	35,000	30,000	60,000	25,000	15,000
-	26,828	10,320	45,144	6,050	3,650
-0-	61,942	40,320	105,144	31,163	18,770
8	(57,631)	(40,319)	(105,144)	(29,576)	381
-	61,528	39,635	105,144	-	-
-	-	-	-	-	-
-0-	61,528	39,635	105,144	-0-	-0-
8	3,897	(684)	-0-	(29,576)	381
161	124,326	684	6,241	43,808	10,152
\$ 169	\$ 128,223	\$ -0-	\$ 6,241	\$ 14,232	\$ 10,533

CONTINUED

City of St. Johns

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended June 30, 2007

	<u>Debt Service Funds - Concluded</u>		<u>Capital Projects Funds</u>
	<u>2003 Michigan Transportation Fund Bonds</u>	<u>Capital Improvement Bonds</u>	<u>Fantasy Forest</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Intergovernmental			
State	-	-	-
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	195
Other	-	56,987	-
	<u>-0-</u>	<u>56,987</u>	<u>195</u>
TOTAL REVENUES	-0-	56,987	195
EXPENDITURES			
Current			
General government	-	-	-
Public works	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service			
Principal retirement	10,000	65,000	-
Interest and fiscal charges	18,191	23,651	-
	<u>28,191</u>	<u>88,651</u>	<u>-0-</u>
TOTAL EXPENDITURES	28,191	88,651	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28,191)	(31,664)	195
OTHER FINANCING SOURCES (USES)			
Transfers in	28,191	31,664	-
Transfers out	-	-	-
	<u>28,191</u>	<u>31,664</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	28,191	31,664	-0-
NET CHANGE IN FUND BALANCES	-0-	-0-	195
Fund balances, beginning of year	102	-	11,412
Fund balances, end of year	<u>\$ 102</u>	<u>\$ -0-</u>	<u>\$ 11,607</u>

Capital Projects Funds - Concluded

Michigan Transportation Project	Capital Improvement	Revolving Special Assessment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 202,830
-	-	-	377,350
-	-	-	56,448
-	-	-	13,743
-	-	-	133,248
3,113	581	-	65,213
-	-	1,750	105,578
3,113	581	1,750	954,410
-	-	-	347
-	-	-	216,406
-	-	-	403,479
403,969	115,380	-	532,358
-	-	-	240,000
-	-	-	133,834
403,969	115,380	-0-	1,526,424
(400,856)	(114,799)	1,750	(572,014)
5,456	-	575	272,193
-	-	-	(220,810)
5,456	-0-	575	51,383
(395,400)	(114,799)	2,325	(520,631)
395,400	155,560	-	1,938,659
\$ -0-	\$ 40,761	\$ 2,325	\$ 1,418,028

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended June 30, 2007

Major Street Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
State gas and weight tax	\$ 356,229	\$ 356,229	\$ 362,972	\$ 6,743
Interest	5,500	14,500	15,609	1,109
Other	-	1,275	1,744	469
TOTAL REVENUES	361,729	372,004	380,325	8,321
EXPENDITURES				
Public works				
Highway and streets				
Administrative	27,928	27,928	35,692	(7,764)
Street maintenance	137,713	137,713	131,655	6,058
Traffic service maintenance	14,909	14,909	14,385	524
Winter maintenance	51,807	51,807	34,674	17,133
TOTAL EXPENDITURES	232,357	232,357	216,406	15,951
EXCESS OF REVENUES OVER EXPENDITURES	129,372	139,647	163,919	24,272
OTHER FINANCING USES				
Transfers out	(117,812)	(154,812)	(159,282)	(4,470)
NET CHANGE IN FUND BALANCE	11,560	(15,165)	4,637	19,802
Fund balance, beginning of year	457,692	457,692	457,692	-0-
Fund balance, end of year	\$ 469,252	\$ 442,527	\$ 462,329	\$ 19,802

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended June 30, 2007

Library Fund

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax levy	\$ 205,000	\$ 202,723	\$ 202,830	\$ 107
Intergovernmental				
State aid to libraries	13,059	7,217	14,378	7,161
Township contributions	50,289	55,248	56,448	1,200
Charges for services				
Photostat services	1,680	1,823	1,938	115
Rentals and fees	13,840	11,244	11,805	561
Penal fines	130,000	124,000	133,248	9,248
Interest	15,500	31,939	35,304	3,365
Other				
Donations	14,100	27,155	27,398	243
Miscellaneous	410	2,962	2,969	7
TOTAL REVENUES	443,878	464,311	486,318	22,007
EXPENDITURES				
Recreation and cultural				
Library operations	418,535	416,292	403,479	12,813
Capital outlay	16,000	16,319	13,009	3,310
TOTAL EXPENDITURES	434,535	432,611	416,488	16,123
EXCESS OF REVENUES OVER EXPENDITURES	9,343	31,700	69,830	38,130
OTHER FINANCING USES				
Transfers out	(61,528)	(61,528)	(61,528)	-0-
NET CHANGE IN FUND BALANCE	(52,185)	(29,828)	8,302	38,130
Fund balance, beginning of year	731,263	731,263	731,263	-0-
Fund balance, end of year	<u>\$ 679,078</u>	<u>\$ 701,435</u>	<u>\$ 739,565</u>	<u>\$ 38,130</u>

City of St. Johns

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONCLUDED

Year Ended June 30, 2007

Drug Law Enforcement

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 83	\$ 83
EXPENDITURES	-	-	-	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	83	83
Fund balance, beginning of year	1,858	1,858	1,858	-0-
Fund balance, end of year	<u>\$ 1,858</u>	<u>\$ 1,858</u>	<u>\$ 1,941</u>	<u>\$ 83</u>

**Fiduciary Fund
Fund Description**

Fiduciary Funds account for assets held by the City in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Current Tax Collections - This fund accounts for current tax collections. All current tax monies collected by the City are receipted into this fund and later distributed to other funds or other governmental units.

City of St. Johns

Fiduciary Fund

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended June 30, 2007

Current Tax Collections

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Cash and cash equivalents	\$ 168	\$ 8,662,401	\$ 8,662,055	\$ 514
Due from other governmental units Clinton County (SET)	2	1,249,755	1,249,757	-0-
TOTAL ASSETS	<u>\$ 170</u>	<u>\$ 9,912,156</u>	<u>\$ 9,911,812</u>	<u>\$ 514</u>
LIABILITIES				
Accounts payable	\$ -	\$ 5,753,974	\$ 5,753,974	\$ -0-
Due to other funds				
General Fund	-	2,192,499	2,192,499	-0-
Garbage Fund	-	404,988	404,988	-0-
Library Fund	-	194,722	194,722	-0-
Capital Improvement Debt Service	-	51,248	51,248	-0-
Other Funds	-	763	763	-0-
Due to other governmental units				
Principal Shopping District	-	24,407	24,407	-0-
St. Johns Public Schools	-	2,751,608	2,751,608	-0-
Clinton County Regional Educational Service Agency	-	714,888	714,888	-0-
Clinton Area Transit System	-	37,744	37,744	-0-
Clinton County	165	1,127,799	1,127,454	510
Due to others	5	13,057	13,058	4
TOTAL LIABILITIES	<u>\$ 170</u>	<u>\$ 13,267,697</u>	<u>\$ 13,267,353</u>	<u>\$ 514</u>

City of St. Johns
Component Unit Funds
COMBINING BALANCE SHEET
June 30, 2007

	Principal Shopping District	Local Development Finance Authority	Total Component Units
ASSETS			
Current			
Cash and cash equivalents	\$ 1,553	\$ 52,126	\$ 53,679
Due from other governmental units	1,230	-	1,230
TOTAL ASSETS	<u>\$ 2,783</u>	<u>\$ 52,126</u>	<u>\$ 54,909</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 52	\$ 460	\$ 512
Due to other governmental units	2,655	-	2,655
TOTAL LIABILITIES	2,707	460	3,167
FUND BALANCES			
Unreserved, undesignated	76	51,666	51,742
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,783</u>	<u>\$ 52,126</u>	<u>\$ 54,909</u>

Note: Reconciliations of the component unit governmental funds balance sheet to the statement of net assets for the component units are not required as the component units' fund balances were equal to the component units' net assets as of June 30, 2007.

City of St. Johns

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Principal Shopping District	Local Development Finance Authority	Total Component Units
REVENUES			
Taxes	\$ -	\$ 160,521	\$ 160,521
Intergovernmental	10,570	-	10,570
Interest and rents	634	1,114	1,748
Other revenue	26,580	-	26,580
TOTAL REVENUES	37,784	161,635	199,419
EXPENDITURES			
Community and economic development	45,096	163,242	208,338
NET CHANGE IN FUND BALANCES	(7,312)	(1,607)	(8,919)
Fund balances, beginning of year	7,388	53,273	60,661
Fund balances, end of year	\$ 76	\$ 51,666	\$ 51,742

Note: Reconciliations of the statement of revenues, expenditures, and changes in fund balances of the component units governmental funds to the statement of activities for the component units are not required as the net change in fund balances of the component unit governmental funds was equal to the change in net assets of the component units for the year ended June 30, 2007.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE⁽¹⁾

June 30, 2007 and 2006

	2007	2006
Governmental funds capital assets:		
Land	\$ 1,006,450	\$ 1,006,450
Construction in progress	-	35,716
Land improvements	1,045,651	1,045,651
Buildings and improvements	2,887,486	2,887,486
Furniture and other assets	860,655	833,959
Drain flowage rights	30,623	30,623
Infrastructure	8,208,296	7,277,210
Total governmental funds capital assets	<u>\$ 14,039,161</u>	<u>\$ 13,117,095</u>
Investment in governmental fund capital assets by source:		
General Fund	\$ 4,439,116	\$ 4,412,420
Special Revenue Funds	9,600,045	8,704,675
Total governmental funds capital assets	<u>\$ 14,039,161</u>	<u>\$ 13,117,095</u>

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY ⁽¹⁾

June 30, 2007

Function and Activity	Land	Land Improvements	Buildings and Improvements	Furniture and Other Assets	Drain Flowage Rights	Infrastructure	Total
General government							
Administration	\$ 868,450	\$ 240,172	\$ 1,798,337	\$ 63,366	\$ -	\$ -	\$ 2,970,325
Public safety							
Police department	-	-	102,566	-	-	-	102,566
Fire department	-	-	152,249	10,448	-	-	162,697
Total public safety	-0-	-0-	254,815	10,448	-0-	-0-	265,263
Public works							
Department of public works	-	683,000	99,554	17,800	30,623	-	830,977
Highway and streets	-	-	-	-	-	8,208,296	8,208,296
Total public works	-0-	683,000	99,554	17,800	30,623	8,208,296	9,039,273
Recreation and cultural							
Library	-	-	734,780	769,041	-	-	1,503,821
Parks and recreation	138,000	122,479	-	-	-	-	260,479
Total recreation and cultural	138,000	122,479	734,780	769,041	-0-	-0-	1,764,300
Total governmental funds capital assets	<u>\$ 1,006,450</u>	<u>\$ 1,045,651</u>	<u>\$ 2,887,486</u>	<u>\$ 860,655</u>	<u>\$ 30,623</u>	<u>\$ 8,208,296</u>	<u>\$ 14,039,161</u>

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of St. Johns

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY⁽¹⁾

Year Ended June 30, 2007

Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government				
Administration	\$ 2,970,325	\$ -	\$ -	\$ 2,970,325
Public safety				
Police department	102,566	-	-	102,566
Fire department	162,697	-	-	162,697
Total public safety	265,263	-0-	-0-	265,263
Public works				
Department of public works	830,977	-	-	830,977
Highway and streets	7,312,926	895,370	-	8,208,296
Total public works	8,143,903	895,370	-0-	9,039,273
Recreation and cultural				
Library	1,477,125	26,696	-	1,503,821
Parks and recreation	260,479	-	-	260,479
Total recreation and cultural	1,737,604	26,696	-0-	1,764,300
Total governmental funds capital assets	<u>\$ 13,117,095</u>	<u>\$ 922,066</u>	<u>\$ -0-</u>	<u>\$ 14,039,161</u>

⁽¹⁾ This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in the internal service fund are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL SECTION
(UNAUDITED)**

City of St. Johns

Statistical Section Description

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	60-66
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant revenue sources.</i>	67-73
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	74-80
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	81-82
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	83-88

City of St. Johns

NET ASSETS BY COMPONENT

2004-2007
(Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Invested in capital assets, net of related debt	\$ 4,100,144	\$ 3,471,291	\$ 4,637,235	\$ 3,634,022
Restricted	1,064,154	1,743,340	1,311,895	2,428,436
Unrestricted	1,487,475	1,928,414	2,474,257	2,729,324
Total governmental activities net assets	<u>\$ 6,651,773</u>	<u>\$ 7,143,045</u>	<u>\$ 8,423,387</u>	<u>\$ 8,791,782</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 4,364,978	\$ 5,197,390	\$ 5,918,021	\$ 6,069,901
Restricted	3,556,926	2,312,947	962,533	963,716
Unrestricted	1,539,406	2,098,775	3,014,149	3,025,743
Total business-type activities net assets	<u>\$ 9,461,310</u>	<u>\$ 9,609,112</u>	<u>\$ 9,894,703</u>	<u>\$ 10,059,360</u>
Primary government				
Invested in capital assets, net of related debt	\$ 8,465,122	\$ 8,668,681	\$ 10,555,256	\$ 9,703,923
Restricted	4,621,080	4,056,287	2,274,428	3,392,152
Unrestricted	3,026,881	4,027,189	5,488,406	5,755,067
Total primary government net assets	<u>\$ 16,113,083</u>	<u>\$ 16,752,157</u>	<u>\$ 18,318,090</u>	<u>\$ 18,851,142</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

(2) The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

City of St. Johns

CHANGES IN NET ASSETS

2004-2007
(Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities				
General government	\$ 1,330,958	\$ 1,247,137	\$ 1,352,404	\$ 1,727,638
Public safety	1,296,983	1,297,220	1,354,706	1,347,380
Public works	1,392,076	1,521,734	1,469,984	1,521,204
Community and economic development	500	-	169,519	338,282
Recreation and cultural	622,160	625,893	700,872	694,729
Interest on long-term debt	184,795	157,026	185,898	166,245
Total governmental activities expenses	<u>4,827,472</u>	<u>4,849,010</u>	<u>5,233,383</u>	<u>5,795,478</u>
Business-type activities				
Water and sewer	<u>2,397,067</u>	<u>2,615,385</u>	<u>2,674,412</u>	<u>2,740,741</u>
Total primary government expenses	<u>\$ 7,224,539</u>	<u>\$ 7,464,395</u>	<u>\$ 7,907,795</u>	<u>\$ 8,536,219</u>
Revenues				
Governmental activities				
Charges for services				
Refuse collection	\$ 489,720	\$ 464,440	\$ 483,052	\$ 496,902
Other public works	289,220	349,645	408,645	422,395
Other activities	216,397	347,504	389,237	427,662
Operating grants and contributions	299,044	747,102	917,352	1,138,860
Capital grants and contributions	<u>17,667</u>	<u>123,111</u>	<u>1,213,548</u>	<u>171,594</u>
Total governmental activities program revenues	<u>1,312,048</u>	<u>2,031,802</u>	<u>3,411,834</u>	<u>2,657,413</u>
Business-type activities				
Charges for services				
Water and sewer	2,205,547	2,649,811	2,790,029	2,702,695
Other activities	5,000	5,000	5,000	5,000
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>14,898</u>	<u>14,898</u>
Total business-type activities program revenues	<u>2,210,547</u>	<u>2,654,811</u>	<u>2,809,927</u>	<u>2,722,593</u>
Total primary government program revenues	<u>\$ 3,522,595</u>	<u>\$ 4,686,613</u>	<u>\$ 6,221,761</u>	<u>\$ 5,380,006</u>
Net (Expenses) Revenue				
Governmental activities	<u>\$(3,515,424)</u>	<u>\$(2,817,208)</u>	<u>\$(1,821,549)</u>	<u>\$ (3,138,065)</u>
Business-type activities	<u>(186,520)</u>	<u>39,426</u>	<u>135,515</u>	<u>(18,148)</u>
Total primary government net (expense) revenue	<u><u>\$(3,701,944)</u></u>	<u><u>\$(2,777,782)</u></u>	<u><u>\$(1,686,034)</u></u>	<u><u>\$ (3,156,213)</u></u>

City of St. Johns

CHANGES IN NET ASSETS - CONCLUDED

2004-2007
(Unaudited)

	Fiscal Year			
	2004	2005	2006	2007
General Revenues				
Governmental activities				
Taxes	\$ 2,016,384	\$ 2,024,846	\$ 2,124,466	\$ 2,216,216
State shared revenue	1,290,758	753,763	747,033	738,444
Investment earnings	27,385	72,067	128,036	204,641
Gain (loss) on sale of capital assets	-	230,790	(99,061)	181,236
Miscellaneous	280,938	227,014	201,417	165,923
Total governmental activities general revenues	3,615,465	3,308,480	3,101,891	3,506,460
Business-type activities				
Investment earnings	48,855	64,703	118,623	134,692
Miscellaneous	32,389	43,673	31,453	48,113
Total business-type activities general revenues	81,244	108,376	150,076	182,805
Total primary government general revenues	<u>\$ 3,696,709</u>	<u>\$ 3,416,856</u>	<u>\$ 3,251,967</u>	<u>\$ 3,689,265</u>
Change in Net Assets				
Governmental activities	100,041	491,272	1,280,342	368,395
Business-type activities	(105,276)	147,802	285,591	164,657
Total primary government	<u>\$ (5,235)</u>	<u>\$ 639,074</u>	<u>\$ 1,565,933</u>	<u>\$ 533,052</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

(2) The City implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

City of St. Johns

FUND BALANCES

GOVERNMENTAL FUNDS

1998-2007
(Unaudited)

	Fiscal			
	1998	1999	2000	2001
General Fund				
Reserved	\$ 22,621	\$ 24,035	\$ 20,348	\$ 87,748
Unreserved	539,725	656,122	593,415	295,765
Total General Fund	<u>\$ 562,346</u>	<u>\$ 680,157</u>	<u>\$ 613,763</u>	<u>\$ 383,513</u>
All other governmental funds				
Reserved	\$ 303,816	\$ 85,907	\$ 94,247	\$ 146,843
Unreserved, reported in:				
Special revenue funds	667,465	929,276	898,252	984,702
Capital projects funds	399,223	1,019,971	107,078	21,798
Total all other governmental funds	<u>\$ 1,370,504</u>	<u>\$ 2,035,154</u>	<u>\$ 1,099,577</u>	<u>\$ 1,153,343</u>

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

Year					
2002	2003	2004	2005	2006	2007
\$ 36,594	\$ 45,402	\$ 52,854	\$ 61,489	\$ 63,146	\$ 2,930
317,273	187,493	308,085	805,244	1,057,585	1,348,602
<u>\$ 353,867</u>	<u>\$ 232,895</u>	<u>\$ 360,939</u>	<u>\$ 866,733</u>	<u>\$ 1,120,731</u>	<u>\$ 1,351,532</u>
\$ 190,331	\$ 276,260	\$ 137,641	\$ 226,858	\$ 187,500	\$ 161,530
1,137,047	1,255,329	1,489,062	1,548,443	1,568,856	1,359,041
141,614	141,870	565,720	1,047,972	562,371	1,853,534
<u>\$ 1,468,992</u>	<u>\$ 1,673,459</u>	<u>\$ 2,192,423</u>	<u>\$ 2,823,273</u>	<u>\$ 2,318,727</u>	<u>\$ 3,374,105</u>

City of St. Johns

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

1998-2007
(Unaudited)

	Fiscal			
	1998	1999	2000	2001
Revenues				
Taxes	\$ 1,687,201	\$ 1,720,717	\$ 1,781,806	\$ 1,816,779
Licenses and permits	10,711	9,570	12,465	12,326
Intergovernmental	1,500,309	1,565,969	1,455,270	1,433,035
Charges for services	868,622	696,268	804,132	818,748
Fines and forfeits	154,619	157,796	171,510	160,411
Interest and rents	131,521	169,596	186,213	131,179
Other revenue	396,294	181,629	216,820	256,278
Total revenues	4,749,277	4,501,545	4,628,216	4,628,756
Expenditures				
General government	1,774,439	1,038,837	1,219,338	1,273,042
Public safety	857,444	1,107,747	1,204,300	1,220,886
Public works	773,074	715,458	1,038,552	866,763
Community and economic development	-	-	-	500
Recreation and cultural	476,568	437,313	483,802	497,454
Capital outlay	867,232	1,264,884	1,443,234	379,081
Debt service				
Principal	384,528	303,256	358,593	373,102
Interest and fiscal charges	173,442	188,268	212,378	194,412
Total expenditures	5,306,727	5,055,763	5,960,197	4,805,240
Excess of revenues over (under) expenditures	(557,450)	(554,218)	(1,331,981)	(176,484)
Other financing sources (uses)				
Proceeds from borrowing	510,000	1,400,000	330,010	-
Bond discount and issuance costs	(11,702)	(71,351)	-	-
Transfers in	234,221	544,092	503,884	442,888
Transfers out	(234,221)	(536,062)	(503,884)	(442,888)
Total other financing sources (uses)	498,298	1,336,679	330,010	-0-
Net change in fund balances	\$ (59,152)	\$ 782,461	\$ (1,001,971)	\$ (176,484)
Debt service as a percentage of noncapital expenditures	13.2%	10.0%	10.5%	12.5%

Notes:

(1) Source: City of St. Johns Basic Financial Statements.

Year					
2002	2003	2004	2005	2006	2007
\$ 2,005,281	\$ 2,074,328	\$ 2,016,384	\$ 2,106,312	\$ 2,210,813	\$ 2,306,035
11,275	34,138	39,577	70,685	104,906	145,110
2,016,909	1,513,136	1,468,319	1,534,744	2,357,397	1,883,561
769,332	793,006	878,152	917,293	1,021,591	1,041,886
164,252	155,745	176,994	181,359	170,812	171,257
105,857	79,414	53,898	97,223	147,472	223,598
180,570	1,245,667	323,423	535,449	939,221	431,560
5,253,476	5,895,434	4,956,747	5,443,065	6,952,212	6,203,007
1,232,539	1,538,869	1,193,672	1,311,755	1,377,835	1,421,149
1,206,691	1,248,541	1,289,947	1,291,443	1,346,664	1,337,463
821,172	794,489	1,038,283	1,194,028	1,296,306	1,848,956
500	1,000	500	-	169,519	338,282
545,636	553,351	598,759	578,491	649,392	642,287
916,689	1,665,375	638,563	215,070	1,826,897	609,209
477,906	407,009	548,373	269,177	356,128	380,378
177,190	172,541	162,642	181,457	180,019	164,719
5,378,323	6,381,175	5,470,739	5,041,421	7,202,760	6,742,443
(124,847)	(485,741)	(513,992)	401,644	(250,548)	(539,436)
410,850	569,236	1,161,000	735,000	-	1,850,000
-	-	-	-	-	(24,385)
256,674	477,973	290,672	424,301	314,907	658,193
(256,674)	(477,973)	(290,672)	(424,301)	(314,907)	(658,193)
410,850	569,236	1,161,000	735,000	-0-	1,825,615
\$ 286,003	\$ 83,495	\$ 647,008	\$ 1,136,644	\$ (250,548)	\$ 1,286,179
13.0%	9.9%	14.5%	9.4%	10.3%	9.8%

City of St. Johns

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY

1998-2007
(Unaudited)

Fiscal Year	Property			
	Residential	Commercial	Industrial	Developmental
1998	\$ 89,022,200	\$ 18,986,300	\$ 24,332,400	\$ 256,400
1999	98,032,000	19,603,800	23,897,000	251,400
2000	108,633,900	26,445,900	22,980,900	493,200
2001	119,994,500	28,268,900	23,783,400	609,900
2002	130,868,700	27,739,200	27,529,600	758,900
2003	138,045,900	29,222,000	31,476,300	553,900
2004	148,830,500	32,918,800	36,738,248	448,600
2005	161,398,700	39,452,000	37,800,100	853,600
2006	167,283,100	42,163,200	37,440,100	874,100
2007	170,868,800	48,023,000	38,711,000	887,900

Notes:

(1) Tax rates are per \$1,000 of assessed value.

(2) Source: Assessor's equalization reports.

<u>Value</u>	
<u>Total</u>	<u>Total Direct Tax Rate</u>
\$ 132,597,300	12.774
141,784,200	12.574
158,553,900	12.3992
172,656,700	12.4003
186,896,400	12.8693
199,298,100	12.6181
218,936,148	11.6332
239,504,400	11.3536
247,760,500	11.3427
258,490,700	11.3176

City of St. Johns

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)

1998-2007
(Unaudited)

Fiscal Year	City of St. Johns					
	General	Debt	Recreation	Garbage	Library	Total
1998	9.8040	1.9700	-	-	1.0000	12.7740
1999	9.8040	1.7700	-	-	1.0000	12.5740
2000	9.7192	1.6800	-	-	1.0000	12.3992
2001	9.6618	1.7385	-	-	1.0000	12.4003
2002	9.6308	1.7385	-	0.5000	1.0000	12.8693
2003	9.6281	1.4900	-	0.5000	1.0000	12.6181
2004	9.5846	0.5486	-	0.5000	1.0000	11.6332
2005	9.5846	-	0.2690	0.5000	1.0000	11.3536
2006	9.5846	-	0.2581	0.5000	1.0000	11.3427
2007	9.5729	-	0.2459	0.5000	0.9988	11.3176

Notes:

(1) Table in mills

(2) Source: Tax Warrants issued by City Assessor

(3) St. Johns Public Schools' rate indicates homestead millage. For non-homestead, add 18.0000 mills.

<u>St. Johns Public Schools</u>	<u>Clinton County</u>	<u>Clinton County Regional Educational Service Agency</u>	<u>Total</u>
7.0000	5.7727	2.7580	28.3047
7.0000	5.7675	2.7550	28.0965
7.0000	5.7555	2.7334	27.8881
7.0000	5.7048	2.7105	27.8156
7.0000	5.6585	2.6922	28.2200
7.0000	5.603	3.6668	28.8879
7.0000	5.6030	3.5989	27.8351
7.0000	5.8000	3.5813	27.7349
7.0000	5.7489	3.7877	27.8793
7.0000	5.7068	3.7603	27.7847

City of St. Johns

PRINCIPAL TAXPAYERS

June 30, 2007 and 1998
(Unaudited)

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>1998 Taxable Value</u>	<u>2007 Taxable Value</u>	<u>Percent of Total Assessed Valuation</u>
Sav-A-Lot	Warehouse	\$ -	\$ 8,273,500	3.20%
Federal Mogul	Industrial	8,065,561	8,166,300	3.16%
Dana Corporation	Industrial	3,115,500	3,253,500	1.26%
Clinton Commons	Multifamily Complex	-	2,569,781	0.99%
Barnard Manufacturing	Industrial	2,959,000	2,710,018	1.05%
Consumers Energy	Public Utility	2,296,000	2,021,567	0.78%
Allied Ring Co.	Industrial	-	3,435,600	1.33%
Harry's St. Johns LLC	Retail	1,596,300	2,753,310	1.07%
M&M	Warehouse	1,237,600	1,592,843	0.62%
CCS/Lansing Inc.	Psychiatric Hospital	2,315,600	1,334,619	0.52%
Total assessed value of ten largest taxpayers		21,585,561	36,111,038	13.98%
Total assessed value of other taxpayers		111,011,739	222,379,662	86.02%
Total assessed value of all taxpayers		\$ 132,597,300	\$ 258,490,700	100.00%

Note:

(1) Source: City Assessor

City of St. Johns

PROPERTY TAX LEVIES AND COLLECTIONS

1998-2007
(Unaudited)

Fiscal Year	General	Debt Service	Recreation	Library	Garbage	Total Tax Levy
1998	\$ 1,230,826	\$ 247,267	\$ -	\$ 125,438	\$ -	\$ 1,603,531
1999	1,274,964	230,181	-	130,047	-	1,635,192
2000	1,313,370	227,021	-	135,133	-	1,675,524
2001	1,343,977	241,804	-	139,093	-	1,724,874
2002	1,428,680	257,871	-	148,336	74,162	1,909,049
2003	1,514,947	234,420	-	157,338	78,663	1,985,368
2004	1,618,462	92,607	-	168,851	84,419	1,964,339
2005	1,776,404	-	49,841	185,330	92,659	2,104,234
2006	1,852,840	-	49,879	193,305	96,646	2,192,670
2007	1,946,188	-	49,976	203,043	101,641	2,300,848

Notes:

- (1) Clinton County pays the City of St. Johns the full amount of the delinquent real property taxes upon settlement in March of each year.
- (2) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.
- (4) The portion of levy collected during the fiscal year and in subsequent years is not readily available for fiscal years 2004 and prior.
- (4) Source: City of St. Johns Basic Financial Statements.

Amount Collected in Fiscal Year of Levy		Amount Collected in Subsequent Years	Total Tax Collections	Percent Collected (1)
Amount	Percentage			
			\$ 1,603,271	99.98%
			1,632,705	99.85%
			1,670,022	99.67%
			1,722,823	99.88%
			1,906,574	99.87%
			1,978,611	99.66%
			1,960,651	99.81%
\$ 2,071,552	98.45%	\$ 28,405	2,099,957	99.80%
2,150,376	98.07%	38,418	2,188,794	99.82%
2,296,850	99.83%	-	2,296,850	99.83%

City of St. Johns

RATIOS OF OUTSTANDING DEBT BY TYPE

1998-2007
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁴⁾	Governmental Activities		
			General Obligation Bonds	Special Assessment Bonds	Notes and Loans
1998	7,392 ⁽²⁾	\$ 141,784,200	\$ 2,480,000	\$ -	\$ 854,775
1999	7,392 ⁽²⁾	158,553,900	3,635,000	-	777,268
2000	7,392 ⁽²⁾	172,656,700	3,335,000	-	1,028,325
2001	7,485 ⁽³⁾	186,896,400	3,020,000	-	905,754
2002	7,485 ⁽³⁾	186,896,400	2,930,000	155,000	628,075
2003	7,485 ⁽³⁾	199,298,100	2,580,000	140,000	1,237,759
2004	7,485 ⁽³⁾	218,936,148	2,715,000	120,000	1,291,029
2005	7,485 ⁽³⁾	239,504,400	3,295,000	105,000	1,177,772
2006	7,485 ⁽³⁾	247,760,500	3,095,000	85,000	1,134,549
2007	7,485 ⁽³⁾	258,490,700	4,720,000	70,000	969,970

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Source: 1990 Census Report

(3) Source: 2000 Census Report

(4) Source: Assessor's equalization reports

<u>Business-type Activities</u>		<u>Total Primary Government</u>	<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
<u>Revenue Bonds</u>	<u>Notes and Loans</u>			
\$ 7,265,000	\$ -	\$ 10,599,775	7.48%	\$ 1,433.95
7,055,000	-	11,467,268	7.23%	1,551.31
6,830,000	119,985	11,313,310	6.55%	1,530.48
6,595,000	-	10,520,754	5.63%	1,405.58
6,345,000	-	10,058,075	5.38%	1,343.76
6,085,000	152,705	10,195,464	5.12%	1,362.12
8,670,000	152,705	12,948,734	5.91%	1,729.96
8,535,000	152,705	13,265,477	5.54%	1,772.27
8,210,000	137,807	12,662,356	5.11%	1,691.70
7,850,000	122,909	13,732,879	5.31%	1,834.72

City of St. Johns

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

1998-2007
(Unaudited)

Fiscal Year	Population	Assessed Value of Property ⁽⁶⁾	General Obligation Bonds ⁽²⁾	Bonded Debt Service Funds Available ⁽³⁾	Net General Bonded Debt
1998	7,392 ⁽⁴⁾	\$ 141,784,200	\$ 2,480,000	\$ 43,470	\$ 2,436,530
1999	7,392 ⁽⁴⁾	158,553,900	3,635,000	84,003	3,550,997
2000	7,392 ⁽⁴⁾	172,656,700	3,335,000	91,544	3,243,456
2001	7,485 ⁽⁵⁾	186,896,400	3,020,000	144,101	2,875,899
2002	7,485 ⁽⁵⁾	186,896,400	2,930,000	189,451	2,740,549
2003	7,485 ⁽⁵⁾	199,298,100	2,580,000	260,279	2,319,721
2004	7,485 ⁽⁵⁾	218,936,148	2,715,000	126,285	2,588,715
2005	7,485 ⁽⁵⁾	239,504,400	3,295,000	202,168	3,092,832
2006	7,485 ⁽⁵⁾	247,760,500	3,095,000	175,322	2,919,678
2007	7,485 ⁽⁵⁾	258,490,700	4,720,000	148,967	4,571,033

Note:

(1) Source: City of St. Johns Basic Financial Statements.

(2) Amount does not include special assessment debt.

(3) Amount does not include funds available for retirement of special assessment debt.

(4) Source: 1990 Census report

(5) Source: 2000 Census report

(6) Source: Assessor's equalization reports

<u>Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
1.72%	\$ 329.62
2.24%	480.38
1.88%	438.78
1.54%	384.22
1.47%	366.14
1.16%	309.92
1.18%	345.85
1.29%	413.20
1.18%	390.07
1.77%	610.69

City of St. Johns

COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2007
(Unaudited)

<u>Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Debt</u>
St. Johns Public Schools	\$ 35,898,489	36.38%	\$ 14,014,061
Clinton County	<u>13,340,000</u>	9.68%	<u>1,291,312</u>
Total overlapping debt	49,238,489		15,305,373
City of St. Johns	<u>5,759,970</u>	100.00%	<u>5,759,970</u>
Total direct and overlapping debt	<u>\$ 54,998,459</u>		<u>\$ 21,065,343</u>

City of St. Johns

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2007
(Unaudited)

State Taxable Assessed Value		
Real property		\$ 235,505,100
Personal property		22,985,600
Industrial facilities (1)		<u>4,164,000</u>
Total taxable assessed value		<u>\$ 262,654,700</u>
Debt Limit		
10% of State equalized assessed value		\$ 26,265,470
Amount of Debt Applicable to Debt Limit		
Total bonded debt	\$ 12,640,000	
Less:		
Amount available in debt service funds	148,967	
Revenue bonds	7,850,000	
Special assessment bonds	<u>70,000</u>	
Total amount of debt applicable to debt limit		<u>4,571,033</u>
Legal debt margin		<u>\$ 21,694,437</u>

Note:

(1) Adjusted to State Equalized Equivalent

City of St. Johns

LEGAL DEBT MARGIN

1998-2007
(Unaudited)

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Net Applicable Debt</u>	<u>Legal Debt Margin</u>	<u>Ratio</u>
1998	\$ 13,259,730	\$ 2,436,530	\$ 10,823,200	18.38%
1999	14,474,490	3,550,997	10,923,493	24.53%
2000	16,249,780	3,243,456	13,006,324	19.96%
2001	17,713,680	2,875,899	14,837,781	16.24%
2002	19,042,030	3,071,614	15,970,416	16.13%
2003	20,235,910	2,855,626	17,380,284	14.11%
2004	22,096,179	2,588,715	19,507,464	11.72%
2005	24,316,350	3,092,832	21,223,518	12.72%
2006	25,141,960	2,919,678	22,222,282	11.61%
2007	26,265,470	4,571,033	21,694,437	17.40%

City of St. Johns

DEMOGRAPHIC STATISTICS

1998-2007
(Unaudited)

Fiscal Year	Population	Personal Income	Personal Income Per Capital ⁽³⁾⁽⁶⁾	Unemployment Rate ⁽⁵⁾
1998	7,392 ⁽¹⁾	\$ 180,386,976	\$ 24,403	2.7%
1999	7,392 ⁽¹⁾	190,580,544	25,782	2.6%
2000	7,392 ⁽¹⁾	198,933,504	26,912	3.2%
2001	7,485 ⁽²⁾	206,608,455	27,603	4.0%
2002	7,485 ⁽²⁾	209,527,605	27,993	5.1%
2003	7,485 ⁽²⁾	216,181,770	28,882	6.1%
2004	7,485 ⁽²⁾	219,190,740	29,284	6.2%
2005	7,485 ⁽²⁾	227,020,050	30,330	6.4%
2006	7,485 ⁽²⁾	-	- ⁽⁴⁾	5.7%
2007	7,485 ⁽²⁾	-	- ⁽⁴⁾	6.2%

Notes:

(1) Source: 1990 Census Report.

(2) Source: 2000 Census Report

(3) Source: Bureau of Economic Analysis: Regional Economic Accounts

(4) Data for 2006 and 2007 is not readily available.

(5) Source: Bureau of Labor Statistics

(6) Personal income per capita and unemployment rates are presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton, and Clinton.

City of St. Johns

CONCENTRATION OF WORKFORCE

June 30, 2007 and 1998
(Unaudited)

Industry	2007		1998	
	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce	Number of Jobs ⁽¹⁾⁽²⁾	Percentage of Workforce
Construction and Mining	8,700	3.73%	9,400	4.03%
Manufacturing	21,200	9.10%	30,900	13.26%
Trade, Transportation, and Utilities	36,600	15.70%	37,600	16.14%
Information	3,000	1.29%	3,900	1.67%
Financial Activities	15,600	6.69%	12,300	5.28%
Professional and Business Services	20,500	8.80%	23,900	10.26%
Educational and Health Services	28,500	12.23%	23,400	10.04%
Leisure and Hospitality	19,900	8.54%	19,900	8.54%
Other Services	11,200	4.81%	10,300	4.42%
Government	60,700	26.04%	61,100	26.23%
Farming	7,175	3.08%	267	0.11%
Total	233,075	100.00%	232,967	100.00%

Notes:

(1) Source: Bureau of Labor Statistics

(2) Number of jobs is presented for the Lansing-East Lansing metropolitan area which includes the counties of Ingham, Eaton, and Clinton.

City of St. Johns

FULL TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

1998-2007
(Unaudited)

Function	Full time Equivalent Employees			
	1998	1999	2000	2001
General government	10	10	10	10
Public safety	13	13	13	13
Public works	24	24	24	23
Community and economic development	-	-	-	-
Recreation and cultural	4	4	5	5
Total	51	51	52	51

as of June 30					
2002	2003	2004	2005	2006	2007
9	9	9	9	9	9
13	13	13	13	13	13
22	22	22	22	22	22
-	-	1	1	1	1
5	5	5	5	5	5
49	49	50	50	50	50

City of St. Johns

OPERATING INDICATORS BY FUNCTION

1998-2007
(Unaudited)

Function	1998	1999	2000	2001
Public safety				
Physical arrests	446	435	344	261
Parking violations	1,478	1,190	1,356	1,531
Traffic violations	1,166	1,110	1,045	1,163
Emergency fire responses	115	133	123	60
Public works				
Street resurfacing (miles)	0.52	0.01	1.13	0.89
Number of water meters	2,790	2,843	2,830	2,860
Average daily water consumption (gallons)	988,000	983,540	963,000	878,000
Peak daily water consumption	1,775,000	1,785,000	1,978,000	1,793,000
Average daily sewage treatment	1,512,539	1,356,638	1,401,473	1,592,041
Recreation and cultural				
Volumes in library collection		82,998	86,829	84,084
Volumes borrowed from library	91,110	97,156	98,441	102,581

Notes:

- (1) Water, sewage, and public safety data are reported on a calendar year basis. Data for the 2007 fiscal year is not yet available.
- (2) Library data is not readily available for the years omitted.

2002	2003	2004	2005	2006	2007
453	499	368	445	433	
1,302	1,287	1,247	1,311	943	
1,312	1,483	1,298	1,408	1,170	
73	94	46	50	47	
0.36	-	-	-	2.52	-
2,904	2,955	2,955	3,031	3,139	-
976,000	905,463	883,000	767,592	803,000	-
2,114,000	1,558,000	1,573,000	1,795,000	1,450,000	
1,374,512	1,246,101	1,409,498	1,374,293	1,420,000	
83,772	83,996	93,345	98,317	41,977	
102,582	105,701	111,862	117,396	123,026	

City of St. Johns

CAPITAL ASSET STATISTICS BY FUNCTION

1998-2007
(Unaudited)

Function	1998	1999	2000	2001
Public safety				
Police protection				
Number of stations	1	1	1	1
Fire protection				
Number of stations	1	1	1	1
Public works				
Refuse collection				
Number of trucks				
Streets				
Streets (miles)	36	36	72	72
Traffic signals	6	6	6	6
Water				
Mains (miles)	38	38	38	38
Fire hydrants	257	257	257	275
Storage capacity (gallons)	900,000	900,000	900,000	900,000
Waste water				
Sanitary sewers (miles)	39	39	41	41
Storm sewers (miles)	32	32	32	32
Treatment capacity (gallons)	2.5	2.5	2.5	2.5
Recreation and cultural				
Parks (acres)	142	142	142	142
Playgrounds	6	6	6	6
Municipal swimming pools	1	1	1	1
Tennis courts	11	11	11	11
Softball diamonds	3	3	3	3

2002	2003	2004	2005	2006	2007
1	1	1	1	1	1
1	1	1	1	1	1
82	80	80	80	80	80
6	4	4	4	4	4
48	48	48	48	50	50
275	307	307	307	307	437
900,000	900,000	900,000	900,000	900,000	900,000
43	43	43	43	43	43
32	32	32	32	32	32
2.5	2.5	2.5	2.5	2.5	2.5
142	142	142	142	116	116
6	6	6	6	6	6
1	1	1	1	1	1
11	11	11	11	11	11
3	3	3	3	3	3

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable Mayor and
Members of the City Commission
City of St. Johns, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Johns as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

07-1 PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits occurring after the year ended December 31, 2006, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. The annual financial statements for the year ended June 30, 2007 for the City of St. Johns required relatively few adjustments. The staff at the City of St. Johns does understand all of the information included in the financial statements, and as such are able to take responsibility for the content. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

07-2 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of accrual accounting were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. These entries were for the proper recognition of accounts payable, prepaid expenses, accounts receivable, deferred revenue, and to record capital asset activity in the proprietary funds.

Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the significant deficiency disclosed above as 07-2 is a material weakness.

Compliance and Other Matters

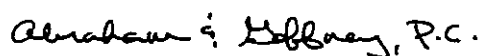
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter, which is described below.

07-3 BUDGETS

As noted in the financial statements, some of the activities and funds of the City exceeded the amounts appropriated. The variance noted was in the General Fund and two (2) Special Revenue Funds. We also noted that a formal budget was not adopted for the Drug Forfeiture (Special Revenue) Fund. Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the members of the City Commission, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 3, 2007